

Bert Fish to be Envoy Extraordinary and Minister Plenipotentiary of the United States of America to Portugal.

REJECTION

Executive nomination rejected by the Senate February 10, 1941, as follows:

Bonham E. Freeman to be postmaster at Bowling Green in the State of Missouri.

HOUSE OF REPRESENTATIVES

MONDAY, FEBRUARY 10, 1941

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Most gracious Lord God, we praise Thee that in the long travail of this tortured earth Thou hast never forsaken Thy children. Thy merciful Providence has always led us along the white ways of eternal hope where there is true peace and unwearying toil. Morning, noon, and night will come, but truth will expand, life will be made beautiful, and the human spirit redeemed as it passes beyond all discordant voices where time and space are but bursting bubbles. Oh, fill our hearts with love for Thee and our fellow men; inspire us to wiser conceptions of fatherhood and brotherhood that we may discern that there is something beneath our experiences, something noble, something pure, and as modest as it is unblemished. Heavenly Father, we rejoice that love will never die. Prophecies may fail, knowledge may vanish away, and tongues may cease but love will remain fragrant and gladden human hearts until the power of sin is foiled. Almighty God, vindicate our faith by writing morning hope on the brow of this sad world, and let us hear Thy voice above the troubled waters. In our dear Redeemer's name. Amen.

The Journal of the proceedings of Saturday, February 8, 1941, was read and approved.

OFFICE OF DISBURSING CLERK

Mr. COCHRAN. Mr. Speaker, by direction of the Committee on Accounts, I submit a privileged resolution, and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 92

Resolved, That there shall be paid out of the contingent fund of the House, until otherwise provided by law, compensation at the rate of \$1,800 per annum for the services of an additional assistant in the disbursing office, who shall be designated by the disbursing clerk subject to the approval of the Clerk of the House.

Mr. ALLEN of Illinois. Mr. Speaker, will the gentleman yield?

Mr. COCHRAN. I yield.

Mr. ALLEN of Illinois. It is true, is it not, that the disbursing office is already taking care of over 500 retirement employees?

Mr. COCHRAN. The gentleman is correct. There are about 1,500 employees in the legislative branch eligible

to apply under the Retirement Act. I may say that in the 15 years I have been a member of the Committee on Accounts I have never heard a better case presented than was presented on this matter in justification for this additional employee.

Mr. ALLEN of Illinois. Not only does the disbursing office take care of these retired employees but most of the Members have hired an additional clerk, and there are many requests made on the disbursing office. We feel this additional clerk for the disbursing office is necessary and justified.

Mr. COCHRAN. The gentleman is entirely correct.

Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to, and a motion to reconsider was laid on the table.

REPORT OF COMMITTEE ON ADMINISTRATIVE PROCEDURE

Mr. JARMAN. Mr. Speaker, from the Committee on Printing I report back a privileged resolution (S. Con. Res. 4, Rept. No. 58) and ask for its immediate consideration.

The Clerk read as follows:

Senate Concurrent Resolution 4

Resolved by the Senate (the House of Representatives concurring), That there be printed 9,000 additional copies of the Senate Document No. 8, current session, entitled "Report of the Committee on Administrative Procedure," appointed by the Attorney General, at the request of the President, to investigate the need for procedural reform in various administrative tribunals and to suggest improvement therein, of which 2,000 copies shall be for the use of the Senate, 4,500 copies for the use of the House, 1,000 copies for the Senate Committee on the Judiciary, and 1,500 copies for the Committee on the Judiciary of the House of Representatives.

The resolution was agreed to, and a motion to reconsider was laid on the table.

WORK PROJECTS ADMINISTRATION

Mr. WOODRUM of Virginia, from the Committee on Appropriations, reported the bill (H. R. 3204) making additional appropriations for the fiscal year 1941 urgently required for the Work Projects Administration and certain other Federal agencies, and for other purposes (Rept. No. 59), which was read a first and second time and, with the accompanying papers, referred to the Union Calendar and ordered to be printed.

Mr. TABER reserved all points of order against the bill.

TREASURY-POST OFFICE APPROPRIATION BILL, 1942

Mr. LUDLOW, from the Committee on Appropriations, reported the bill (H. R. 3205) making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1942, and for other purposes (Rept. No. 60), which was read a first and second time and, with the accompanying papers, referred to the Union Calendar and ordered to be printed.

Mr. TABER reserved all points of order against the bill.

EXTENSION OF REMARKS

Mr. LUDLOW. Mr. Speaker, this afternoon I expect to make some remarks on a bill to be called up by the gentleman from North Carolina. I ask unanimous consent now in the House that I may include in the remarks I expect to make some testimony presented by Secretary Morgenthau on that subject before our Committee on Appropriations.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WELCH. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and to include therein an address delivered by Mr. Joseph Scott, of Los Angeles, in the civic auditorium of San Francisco on the subject, Ireland's Neutrality.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. ROBERTSON of North Dakota. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and include therein a resolution passed by the State Senate of North Dakota.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WIGGLESWORTH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and include therein an article appearing in the Washington Post on February 4.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CHIPERFIELD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and include therein two or three short excerpts from the hearings on the bill H. R. 1776.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. PIERCE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and to include therein an address delivered by Mr. R. M. Evans, Administrator of the Agricultural Adjustment Administration.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. JENKINS of Ohio. Mr. Speaker, I ask unanimous consent to extend remarks I expect to make later in the day on the bill to be called up by the gentleman from North Carolina and include certain excerpts therein.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

CONTINUATION OF THE DIES COMMITTEE

Mr. JENKINS of Ohio. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. JENKINS of Ohio. Mr. Speaker, I understand it is contemplated to take

up tomorrow a resolution providing for the continuation of the Dies committee. I fear that matters in my district will require my absence from the Chamber tomorrow, but I want to go on record as being in favor of this resolution.

I notice from the newspapers it is contemplated the committee will ask for \$1,000,000. I would not be in favor of so large a sum. I understand they have modified their request and will ask for \$100,000, which is reasonable. I served with the gentleman from Texas [Mr. DRES] on the Committee on Immigration and know he is a loyal American. I support him in the work he is doing and hope his committee will be continued. [Applause.]

EXTENSION OF REMARKS

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent to extend my own remarks and include a brief editorial from the Indianapolis Star.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a resolution of the Young Democratic Clubs of California, in support of H. R. 160.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. VOORHIS]?

There was no objection.

YOU CANNOT CONSCRIPT A MAN'S DEVOTION

Mr. FULMER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina [Mr. FULMER]?

There was no objection.

Mr. FULMER. Mr. Speaker, I have asked for this time to announce to the Members of the House that the Agriculture Committee will commence hearings on House Joint Resolution 15, which proposes a thorough investigation of the pulp and paper industry as outlined in this resolution, tomorrow, February 11, at 10 a. m. I hope that each of you will have the page boy bring you a copy of this resolution for the reason that I am anxious to have you acquaint yourselves with the purpose of the resolution, with the further hope that you will join with me and my committee in exposing what I believe to be the biggest monopolistic racket existing with any group in the United States.

During the past 2 years a special joint congressional committee composed of five Senators appointed by the President of the Senate, and five Members of the House appointed by the Speaker, has been investigating the forestry problems of the country. I want to say to you as vice chairman of this committee that the manner in which these well-organized lumber and sawmill operators and these pulp and paper mills are ruthlessly destroying this great national resource—our forests—is a disgrace and a challenge to the Congress and the public to do something about it. These industries op-

erate under an association where they are able to work out and establish trade practice rules and regulations whereby they are not only able to control their production but they control the distribution of their products, and they absolutely have a hog-tied monopoly in fixing prices in buying logs and pulpwood, as well as fixing their selling prices to the consuming public. You can take it or leave it.

The manner in which the pulp and paper mills are buying pulpwood through their agents from farmers today is nothing less than highway robbery. There are thousands of wage earners operating in cutting and hauling pulpwood and the wages that they receive for long hours and extraordinarily hard work is not enough to buy for them and their families the real necessities of life. Then we wonder why farmers and wage earners are migrating from the farms and the rural sections of the country.

I want you to take this and think about it. Farmers receive from 15 cents to \$1 per unit—160 cubic feet—which is actually 1¼ cords of wood, and wage earners are receiving from 80 cents to \$1 per day. In the meantime, it is the thought of Congress that we can build a well-balanced and successful national-defense program. What good are arms for defense when there is no hope? You cannot conscript a man's devotion? [Applause.]

THE HONORABLE J. J. MANSFIELD

Mr. KLEBERG. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. KLEBERG]?

There was no objection.

Mr. KLEBERG. Mr. Speaker, I take the floor on this occasion to felicitate my colleague the gentleman from Texas, the Honorable J. J. MANSFIELD, on having attained the ripe age of 80 years. [Applause.] On yesterday the judge had his eightieth birthday.

To the gentleman from Texas, Joe MANSFIELD, has gone the earned and distinguished honor of having served on the Rivers and Harbors Committee longer than any man in the history of the Congress. He has just passed the record set by the late Representative S. M. Sparkman, of Florida, while he was a Member of the House, who became a member of that committee on July 24, 1897, and terminated his service on March 4, 1917.

The gentleman from Texas, JOE MANSFIELD, through his entire career as a Member of Congress, has earned the respect and the love of all his fellow Members here in this position high in the public trust. It is with a tinge of some sadness that I must comment on the loss of his beloved sister during the last hours of the debate on the important bill which we passed in this body on last Saturday. His son is at the present moment desperately ill in the hospital, and I bespeak for the Members of this House and the members of the Texas delegation for the prompt recovery of his son, Bruce, and the judge's continued good health. He

is a grand man, a great citizen, and a loyal friend. [Applause, the Members rising.]

EXTENSION OF REMARKS

Mr. RIVERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a radio address by Dr. Maurice S. Sheehy over the Columbia Broadcasting System last Saturday.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina [Mr. RIVERS]?

There was no objection.

Mr. THOMAS F. FORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on a matter pertaining to the National Youth Administration.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. THOMAS F. FORD]?

There was no objection.

STRIKES AND THEIR EFFECT ON NATIONAL DEFENSE

Mr. LELAND M. FORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. LELAND M. FORD]?

There was no objection.

Mr. LELAND M. FORD. Mr. Speaker, I have two pieces cut out of the Washington Star of February 7. One of them is the Army's idea and one of them is Mr. Hillman's idea.

Col. Donald Armstrong, of the Army, says the entire United States powder-manufacturing program has been blocked. He says:

The Army cannot sit back and let national defense be sabotaged by failure to deliver this material.

He further states:

One hundred and thirty million people are not going to sit back and do nothing about it.

Mr. Speaker, it seems to me that Congress is sitting back and not doing anything.

Mr. Hillman states that there are only a handful of strikes and that everything is all right. He says in this article, which appears on the same page of the same paper:

When a situation is in good condition, don't meddle with it.

Good for whom? Good for the United States of America or good for the Communist C. I. O. racketeer leaders? I think it is time for the Congress to take action. Here you have the Army saying that we are not getting material and you have Mr. Hillman, on the other hand, making certain statements. Who is going to prevail? What are you going to do about it? I think it is time for this House to bring out legislation to stop these sabotage activities.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. CURTIS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska [Mr. CURTIS]?

There was no objection.

Mr. CASEY of Massachusetts. Mr. Speaker, I ask unanimous consent to insert in the Appendix of the RECORD an article from the Washington Post of yesterday.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. CASEY]?

There was no objection.

Mr. CARTWRIGHT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a speech I was to deliver before the American Road Builders Association of New York, but which through illness I was unable to deliver.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma [Mr. CARTWRIGHT]?

There was no objection.

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD in connection with the subject of decentralization of industrial program of the administration.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. PITTENGER]?

There was no objection.

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD in connection with the work of the Committee on un-American Activities—that is, the Dies committee.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. PITTENGER]?

There was no objection.

THE HONORABLE JOSEPH J. MANSFIELD

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. PITTENGER. Mr. Speaker, I want to join my colleague the gentleman from Texas [Mr. KLEBERG] in paying tribute to the gentleman from Texas [Mr. MANSFIELD], chairman of the House Committee on Rivers and Harbors. It has been my privilege to serve on that committee. I congratulate the gentleman on having attained his eightieth birthday yesterday. I do not believe there is a Member of the House who stands higher in its affection and esteem than the distinguished gentleman from Texas, who has a long and honorable record of service to his country in the House of Representatives. As chairman of the Committee on Rivers and Harbors he has been fair in his conduct of the work of that committee. He is an outstanding Member of this body, and I know we all wish him many, many more years of happiness and activity. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. PLUMLEY. Mr. Speaker, I find that it is quite possible that by reason

of other official engagements I shall not be able to be present on the floor tomorrow. Therefore I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address which I am to make tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. CHENOWETH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial from the Colorado Springs Gazette on national defense.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

THE DIES COMMITTEE

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DONDERO. Mr. Speaker, as it is necessary for me to return to my State tomorrow, I shall not be on the floor when the Dies resolution comes before this body. If I were present I would vote enthusiastically for any reasonable request that committee may make for funds to carry on its work. It has performed a noble and patriotic service to this Nation in turning the spotlight of publicity upon the subversive interests at work in this country to overthrow our Government. I hope the House will vote any reasonable appropriation the gentlemen from Texas [Mr. DIES], the chairman of that committee, may request of this body.

As one Republican on the Committee of Rivers and Harbors, I share and join in what has been said about our distinguished chairman, Judge MANSFIELD, who has just celebrated his eightieth birthday. To the members of that committee, Republicans and Democrats alike, Judge MANSFIELD has always shown uniform kindness, uniform consideration, and uniform courtesy. He is an able and distinguished man. He knows more about the rivers and harbors of this country than any man in this body. I wish him well, and hope that many happy returns of his birthday may be his lot as he walks in the sunset of life. [Applause.]

[Here the gavel fell.]

PERMISSION TO ADDRESS THE HOUSE

Mr. SNYDER. Mr. Speaker, I ask unanimous consent that the 40 minutes I have been allowed to address the House today under special order may be made available to me next Monday instead of today.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

EXTENSION OF REMARKS

Mr. BARNES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein

an address delivered last evening over the radio by our great Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. BROOKS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial appearing in the Shreveport Journal of January 18, entitled "The Duty of Congress."

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. NICHOLS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a radio address I made on last Saturday.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

PUBLIC DEBT ACT OF 1941

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 2959) to increase the debt limit of the United States, to provide for the Federal taxation of future issues of obligations of the United States and its instrumentalities, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 2959, with Mr. CANNON of Missouri in the chair.

The Clerk read the title of the bill.

On request of Mr. COOPER, and by unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the agreement reached last Monday, general debate on this bill is limited to 3 hours, one-half to be controlled by the gentleman from North Carolina [Mr. DOUGHTON] and one-half by the gentleman from Massachusetts [Mr. TREADWAY].

The gentleman from North Carolina is recognized.

Mr. DOUGHTON. Mr. Chairman, I yield myself 20 minutes.

Mr. DOUGHTON. Mr. Chairman, this is a very important bill, and somewhat complicated, as all such bills are. While I shall not decline to yield, I would prefer to make my main statement, which I have reduced to manuscript, before attempting to answer any questions that may be in the minds of any members of the Committee with respect to the provisions of the bill.

The occasion for this bill is our national-defense program. Were it not for this program, the bill would not be necessary and would not now be under consideration by the House.

The purpose of the bill is to provide funds to cover the appropriations, authorizations, and commitments already made by the Congress, or which will be made before July 1, 1942, in pursuance of the requests contained in the President's Budget of this year.

The bill neither appropriates nor authorizes the expenditure of any funds.

Its sole purpose is to enable the Treasury, under such restrictions and limits as the bill sets forth, to secure the necessary funds to finance the program which the Congress has authorized or will authorize by further legislation.

When the Congress enacts measures calling for the expenditure of money, the Treasury, in order to carry out its statutory duties, must secure such sums either through taxation or by borrowing, both of which methods are within the control of the Congress. Both consistency and duty demand that we be as prompt and willing to implement the Treasury with the money necessary to discharge our national-defense obligations as we are in creating them.

In other words, it would be very inconsistent, indeed, for the Congress to authorize appropriations and not provide the Treasury with the necessary funds to cover such authorizations or appropriations.

Since April of 1917, when our national debt was less than three billions, there have been statutory limitations either upon the amount of Federal securities which could be issued or upon the amount outstanding at any one time. Up until May 16, 1938, the limitation was dual in nature—that is, there was one limit on long-term obligations, such as bonds, and another on short-term securities, such as certificates of indebtedness, Treasury bills, and notes. Treasury bills and Treasury certificates are in general obligations maturing in 1 year or less. Treasury notes have a maturity of from 1 to 5 years. There is no restriction upon the maturity date of Treasury bonds, but they have always been issued for periods of 5 years or more, generally more. Since the First Liberty Bond Act of 1917 the over-all limitation on these direct obligations of the United States has ranged from about five billions in 1917 to more than fifty-three billions in 1940.

The present debt limitation is popularly believed to be forty-nine billions. This is not the case. Out side of the permission controlled by the forty-nine-billion limitation, the Treasury has had since 1917 the authority to issue war-savings certificates to an aggregate amount of four billions outstanding at any one time. As there are only seven and one-half million of these certificates now outstanding, the Treasury has an unused authority to issue almost four billions of this type of security. In addition, under authority of the Spanish America War Act of 1898, the Treasury may issue three hundred millions of short-term securities. If these unused authorizations are added to the forty-nine billion limitation, it will appear that direct obligations totaling more than fifty-three billions may be outstanding at any one time.

In 1938 the various limitations applying to all forms of direct Federal obligations, except war-savings certificates and the certificates authorized by the Spanish-American War Act of 1898 were consolidated and placed at forty-five billions outstanding at any one time. The first Revenue Act of 1940, approved June 25, 1940, authorized additional issues of short-term securities designated "Nation-

al defense series," not to exceed four billions. Revenue for the retirement of these particular securities was provided by specified defense taxes.

The pending bill would replace all of these provisions limiting direct obligations of the United States by one over-all limitation of sixty-five billions to be outstanding at any one time. This figure marks an increase of about twelve billions over the sum of the various limitations now applicable.

The present public debt is a little more than forty-five billions. Our contemplated national-defense program now aggregates twenty-eight and one-half billions in appropriations, contract authorizations, and recommendations according to the most recent Budget figures. It is estimated that on the basis of the revenues now expected from present tax laws, our anticipated expenditures will result in combined deficits for the fiscal years 1941 and 1942 of more than fifteen billions. This is the present outlook. Two factors, however, may change this picture substantially. First, the tax revenues will come up for further consideration in the present session of the Congress, and I hope and expect these revenues to be increased considerably. While additional taxes will decrease the anticipated deficits which would otherwise occur, there is a second factor that must also be considered; that is the question of additional unanticipated expenditures. From our experience so far in the financing of the national-defense program we have learned that there is one thing that we can always be sure of; that is, that the needs of the program as estimated at the beginning of any fiscal period will prove inadequate in the light of later developments. The swiftly changing character of modern munitions and armaments and developments in the European war may, within a very short time, cause startling changes in our defense needs. We must allow a margin sufficient to cover substantial unanticipated increases in the expenditures necessary to fully develop and carry out our program.

Our expected revenue receipts for the fiscal years 1941 and 1942 are very gratifying. The President's Budget message points out that for 1941 our revenues will be two hundred and seventy-five millions greater than nondefense expenditures; and for 1942 receipts will be one billion six hundred million greater than nondefense expenditures. The net receipts for 1942 from existing taxes are estimated at eight billion two hundred and seventy-five millions. These large increases in revenue are due in part to the two revenue acts passed last year and in part to increased national income and continuously rising business activities.

If we examine the expenditures and receipts specifically set out in the Budget, it will appear that the gross debt as of June 30, 1942, will not exceed fifty-eight billion four hundred million. From these figures alone it would appear that the new debt limitation of sixty-five billions, fixed by the bill, would allow a margin of six billion six hundred million. There are contingencies, however, that we must take into account. For example, the

Budget indicates the presentation of requests for supplemental appropriations during 1941 and 1942 in addition to those specifically set out in the Budget for a total of three and a half billions. In addition, the figures quoted do not take into account future accruals on savings bonds sold on a discount basis nor the expenditures which the aid-to-Britain legislation may entail.

I believe if all of these factors are considered, it will clearly appear that the limitation of sixty-five billion, rather than some lesser figure, is perfectly reasonable under the circumstances. Some cushion or margin for contingencies is necessary. On the other hand, we are hopeful that the limit requested will prove adequate to cover our needs. Furthermore, as I have indicated before, revenues from new taxes or increases in present levies which should be provided by this Congress will further widen this margin.

The provisions limiting the direct obligations of the United States are found in three places in our statutes. The major provision, and the one most commonly referred to is section 21 of the Second Liberty Bond Act of 1917, as amended. That provision in its present form is in two parts—the first placing a forty-five billion limitation upon face amount outstanding of bonds, certificates of indebtedness, Treasury bills, and notes issued under the authority of the Second Liberty Bond Act and certificates of indebtedness issued under authority of section 6 of the First Liberty Bond Act. The second, added by the First Revenue Act of 1940, permitted the issuance of an additional four billions of short-term securities for national-defense purposes.

The next in importance is section 6 of the Second Liberty Bond Act, as amended, which authorizes the issue of four billions of war-savings certificates. The third is section 32 of the Spanish-American War Act, as amended, which permits the issue of three hundred millions in certificates of indebtedness. The aggregate of these limitations exceeds fifty-three billions.

Section 2 of the bill supplants all of these items with an over-all limitation of sixty-five billion. This is done by completely amending section 21 of the Second Liberty Bond Act and by terminating the authority granted in the Spanish-American War Act, section 6 of the First Liberty Bond Act, and section 6 of the Second Liberty Bond Act.

Thus the last three lines on page 1 of the bill will consolidate and replace all of the sections referred to, including section 21 of the Second Liberty Bond Act.

In addition, section 2 of the bill repeals section 301 of the Revenue Act of 1940 which created a special fund for the retirement of four billions of defense obligations authorized by that act.

Before we increase the national debt we should do two things. We ought to economize as far as possible in nondefense expenditures, and then we ought to impose taxes just as heavy as the people are able to bear, before we pass on to future generations obligations that we ourselves should take care of.

On the question of national economy I might refer to a statement on page 5 of

the hearings, made by Secretary Morgenthau. It is said that this is an administration of boondoggling and of wasteful extravagance, but on page 5 of the hearings, about the middle of the page under a subhead, "Economy of nondefense expenditures," will appear the following statement from Secretary Morgenthau:

ECONOMY IN NONDEFENSE EXPENDITURES

At this time our whole economy and effort should be concentrated on national defense. One step which the Government should take is economy in Federal expenditures. I believe, therefore, that all Federal nondefense expenditures should be reexamined with a magnifying glass to make certain that no more funds are granted than are absolutely essential in the existing circumstances.

I think that is a very reassuring statement on the part of the Secretary of the Treasury, and I complimented him upon it. Later I asked him whether in making that statement he was expressing only his own views or also the views of the head of the Government, the President of the United States. While no one is authorized, of course, to speak for the President of the United States, yet the Secretary did point out that in the President's Budget message economy in non-defense expenditures was urged. I believe that the Members of Congress on both sides of the aisle are of one mind and accord on not only the importance but also on the necessity of effecting greater economy in national nondefense expenditures.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. CRAWFORD. I understand the Chairman to say that taking our estimated income and applying present tax laws against that income, it now looks as if we may have \$1,600,000,000 in excess of the normal requirements of the Government.

Mr. DOUGHTON. For the fiscal year 1942.

Mr. CRAWFORD. Now, let me ask a question about the bill. I refer to page 3 of the bill where it is provided:

Such bonds and certificates may be sold at such price or prices, and redeemed before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe.

Mr. DOUGHTON. That is in section 3?

Mr. CRAWFORD. Yes. Do we understand from that language that the Secretary in the sale of savings certificates, or so-called baby bonds, could, if he so ruled, redeem those at prices actually paid by the purchaser originally, as the minimum price, or redeem them at that price plus accrued interest, we will say, or ignore those two situations and buy them back at some time at a price less than the amount paid by the original purchaser, plus the accrued interest.

Mr. DOUGHTON. In his discretion he could redeem or retire those bonds in any manner so long as they do not yield the purchaser more than 3 percent compounded annually. That is left in the discretion of the Secretary of the Treasury.

Mr. CRAWFORD. In other words, the minimum at which he can redeem those

bonds under this language would be the price paid plus 3 percent compounded semiannually on the date of purchase to the date of redemption.

Mr. DOUGHTON. That would be the maximum, not the minimum.

Mr. CRAWFORD. That is what I wanted to get. I thank the gentleman.

Mr. DOUGHTON. Section 2 I have already explained. It provides for an increase in the debt limit to \$65,000,000,000.

Section 3 of the bill completely amends section 22 of the Second Liberty Bond Act. This section authorizes the issue of United States savings bonds and United States Treasury certificates and provides for the administrative and procedural aspects, incident to the issuance of these obligations. Under existing law, the Secretary of the Treasury has authority, within the general statutory limitation of forty-five billion, to issue United States savings bonds—the so-called baby bonds. These securities were designed to interest the small investor and are sold in denominations as low as \$25. Their yield cannot be in excess of 3 percent. They are sold on a discount basis and mature in 10 years. An investor paying \$18.75 for a bond of \$25 face value will thus receive \$25 at the end of 10 years, the equivalent of interest of 2.9 percent compounded semiannually. Under the authority of the statute, the Secretary of the Treasury has provided that such bonds are not transferable, thereby rendering them unsuitable for use as collateral for a loan or to secure the performance of an obligation.

Section 3 of the bill replaces the authority to issue these baby bonds with a new type of security, to be called United States savings bonds, designed to appeal to the small investor. They will, of course, be subject to the sixty-five-billion limitation.

Under existing law baby bonds must be in denominations of not less than \$25. Under the bill the denominations may be in such amounts as the Secretary may determine.

Under existing law savings bonds can be sold on a discount basis only. Under the bill they can be sold on a discount, interest bearing, or combination interest and discount basis. Under existing law baby bonds mature in not less than 10 nor more than 20 years from the date of issue and redemption before maturity under such terms and conditions as the Secretary may prescribe is provided for. This same rule is applicable to the new baby bonds under the bill, except here the maturity date may be fixed by the Secretary at less than 10 years—the only limitation on their maturity being an outside limit of 20 years.

Both the existing law and the provisions of the bill give the Secretary authority to impose restrictions on their transfer.

The existing law makes it unlawful for any one person at any one time to hold baby bonds issued during any calendar year in an aggregate amount of more than \$10,000, maturity value. The bill allows the Secretary complete discretion to fix by regulation the amount of such securities which may be held by any one person at any one time. A person who

has \$10,000 a year to invest cannot be regarded as a small investor but since the bill removes the Federal tax-exempt privilege, which I shall go into more fully later on, it is believed that the power to fix the limit of holdings should properly rest with the Secretary of the Treasury.

Like the provisions in existing law, the pending bill gives the Secretary authority to redeem such bonds before maturity under such terms as the Secretary may prescribe, provided that the interest rate, the price, and the terms upon which they shall be redeemed is such as to afford an investment yield not in excess of 3 percent, compounded semiannually.

Section 3 of the bill also authorizes the issue of United States savings certificates. These obligations are subject to the same provisions as the baby bonds, except their maximum maturity date is 10 years instead of 20 years.

I will now make a brief comparison of the essential difference between the war-savings certificates in effect during the World War and the United States savings certificates authorized by the bill.

The old War Savings Certificates could be issued only on a discount basis. The new certificate may be issued on a discount, interest-bearing or combination discount and interest-bearing basis. Both the old certificates and the new can be issued in such denominations as the Secretary may determine. The present law requires that no more than \$5,000 of any one series of certificates can be held by any one person at any one time. The number of new certificates an individual can hold under the bill is left to the discretion of the Secretary of the Treasury. The old certificates bear such interest as the Secretary prescribes. Under the bill, they must be issued so as to afford an investment yield not in excess of 3 percent, compounded semiannually. The old certificates outstanding at any one time could not exceed in the aggregate four billion. The new certificates are subject only to the sixty-five billion limitation on all direct governmental obligations.

The changes wrought in the pending bill respecting the issue of savings bonds and savings certificates are designed to give greater flexibility to our defense-financing program. It is felt that if the Secretary of the Treasury has wider discretion with respect to these important aspects, it will better enable the Treasury to issue the exact type of security which might best meet the needs of particular types of investors. The Treasury has before it a difficult and exacting task in securing the funds necessary to pay for national defense and at the same time deal fairly with the investing public and cause the least possible disruption of the investment market. We believe that the greater flexibility and wider discretion provided by the bill will better enable the Treasury to successfully discharge its duties in this respect.

The CHAIRMAN. The gentleman has consumed 20 minutes.

Mr. DOUGHTON. Mr. Chairman, I yield myself 10 additional minutes.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes; I yield, but please be as brief as possible.

Mr. RICH. Do you believe we ought to have this debt limit enacted?

Mr. DOUGHTON. I do conscientiously believe so, or I would not be here; and the Secretary of the Treasury and other administration officials urge that it be done.

Mr. RICH. I am glad for that statement. One other question: Is this bill so written that we are only increasing the debt limit \$11,700,000,000 instead of \$16,000,000,000?

Mr. DOUGHTON. That would be a correct statement when you take into consideration the authorizations that it will repeal. It is a net increase of \$11,700,000,000 over and above what can be issued and outstanding at the present time. I do not think that statement can be challenged.

Mr. RICH. During the past few years we have been running into the red at an average of three and a half billion a year.

Mr. DOUGHTON. Very regrettably; yes.

Mr. RICH. With the tax laws that we passed last year, do you believe we ought to increase our taxes to a greater extent in order to try to meet this emergency—the national-defense program—so that we do not soon have to increase this national-debt limit again?

Mr. DOUGHTON. Speaking only for myself and not for the members of my committee or anyone else, I believe fervently that it is not only our duty but our obligation, before increasing the national debt, to effect all the economies we can with due regard to the necessary activities of the Government, and then to increase taxes as far as the people are presently able to pay them.

Mr. RICH. I always thought you were an honest and honorable man, and I think more of you now than I ever did. [Applause and laughter.]

Mr. DOUGHTON. I thank the gentleman.

Now, with respect to the necessity for this legislation, the question of economy is not pertinent. I am wholeheartedly for economy, but it has no place in this bill, because this bill makes no appropriation nor any authorization of expenditures. The time to make economies and the time to practice economy is when we are making appropriations. This is only an authorization whereby the Secretary of the Treasury can secure the funds necessary to carry out the program which the Congress has or will by legislation provide.

Mr. RICH. In other words, you believe that the Appropriations Committee ought to do a little more work on chopping down, so that the Ways and Means Committee does not have such a great job?

Mr. DOUGHTON. I think the Appropriations Committee is trying to do a good job. Especially I would compliment the gentleman from Virginia [Mr. WOOLRUM] and the other members of the Appropriations Committee who have similar views to those entertained by him on the heroic fight they are making to effect greater economies in the nondefense ex-

penditures of our Government. I am in full accord with that policy.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield, briefly.

Mr. KNUTSON. Would the distinguished chairman support a proposal for the creation of a nonpartisan joint committee?

Mr. DOUGHTON. Oh, I do not have time to go into that. Of course, that is mentioned in the minority report. The minority report I consider essentially political—not only a political but pharisaical document—and I say that with all respect, because the members of the minority are the same as other men.

Mr. KNUTSON. Of course, anything that would effect economies would be political, in the gentleman's opinion.

Mr. DOUGHTON. Well, this minority report is all political. It talks about boondoggling, wasting money, and New Deal expenditures. The gentlemen of the minority have voted for these appropriations also. All appropriations and authorizations for the national-defense program have been approved by both the majority and the minority. There has been only one roll call on all these bills providing for appropriations or authorizations for national-defense purposes and in that roll call there was only one negative vote recorded.

Mr. KNUTSON. How does the gentleman reconcile his statement with the statement made last fall by his standard bearer that the minority have consistently hamstrung the defense program?

Mr. DOUGHTON. You are now indulging in mere political partisanship. This question was thrashed out thoroughly by both sides in the campaign last fall and the people gave their strong and convincing answer in the election in November. It is the same argument that was hurled by the minority throughout the country North, South, East, and West in the last political campaign, but the American people have said there was no foundation for it. The gentleman knows that. We should use our best efforts to raise this to the point of nonpartisan discussion.

Mr. KNUTSON. I am merely reminding the gentleman—

Mr. DOUGHTON. Oh, the gentleman is out of order. He is a very fine gentleman, but at the present he is disregarding the rules of the House.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I will, of course, be glad to yield, but I am trespassing upon the time of other members of my committee.

Mr. MAY. I am very much interested in and very much impressed by the statement the gentleman from North Carolina has made to the effect that it is expected there will be a \$275,000,000 increase in tax receipts for 1941.

Mr. DOUGHTON. Not an increase of that figure. The increase in tax revenue is much greater than that. The figure the gentleman refers to is the estimated excess of our receipts for 1941 over our nondefense expenditures for that year. For 1942 it is estimated that receipts will exceed nondefense expenditures by

\$1,600,000,000. That is the Budget estimate.

Mr. MAY. That is right, disregarding the defense expenditures. I should like to ask the gentleman if that estimate is based on the possible increase of business, or does it contemplate both the increase in business from national-defense efforts and receipts from taxes?

Mr. DOUGHTON. It does not contemplate new taxes. It is based on additional revenue to be received under present taxes. Whatever may be received from new taxes will be in addition to that.

Mr. MAY. That is fine.

Mr. DOUGHTON. Those figures relate only to increased receipts under present taxes.

I take it, Mr. Chairman, the Secretary of the Treasury is in better position to know the exact situation with respect to the obligations of the Government than anyone else. When Secretary Morgenthau appeared before the committee the gentleman from Tennessee [Mr. COOPER], a member of our committee and chairman of the subcommittee on internal-revenue taxation, asked this question:

Mr. COOPER. The proposed increase of the debt limit from \$49,000,000,000 to \$65,000,000,000 does that take care of the obligations of the Federal Government, and the outstanding appropriations made by Congress, so far as the situation now stands?

To this the Secretary replied:

Secretary MORGENTHAU. Congressman COOPER, it is the very best estimate that we can give as we see the situation today.

Mr. COOPER. In other words, you, as the responsible official of the Government charged with looking after the fiscal affairs of the Nation, express it as your best opinion that the increase provided in this bill is necessary to take care of the situation as it now appears to you?

Secretary MORGENTHAU. That is correct.

Mr. RICH. How long will that take care of the necessities of the Government at the rate we are going?

Mr. DOUGHTON. It is estimated it will take care of Government needs during the fiscal years 1941 and 1942—to June 30, 1942. That is the best estimate we can make. No one can foresee what contingencies will arise, and they are certain to arise. We have attempted to deal with them the best we can. We do not know what contingencies will be met under the bill that passed the House last week and is now before the other body. No one is wise enough to foresee what expenditures we may feel justified in making or may have to make under present world conditions. I am sure that whatever is needed to complete our national-defense program this Congress will willingly and promptly provide. The gentleman knows that. He is just as patriotic as any of us. The gentleman does not play politics. He is very consistent.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield myself 5 additional minutes.

Section 4 of the bill marks a complete departure from similar provisions in previous public-debt legislation. Insofar as Federal taxation of the interest upon and gain from the sale or other disposition of

Federal securities is concerned, the bill removes the tax-exemption privilege with respect to all future issues of obligations of the United States and its agencies and instrumentalities. Such securities issued after the date of the enactment of the pending bill will be subject to Federal taxes to the same extent as private obligations. The removal of the tax-exemption privilege does not apply to the securities of the Territories and possessions of the United States or of the District of Columbia.

The bill makes absolutely no change in existing law with respect to the Federal taxation of State and local securities or the State taxation of Federal securities. The change applies only to the Federal Government's taxation of its own securities and the securities of its agencies and instrumentalities. Since State and local securities are still exempt from Federal taxation, it is felt advisable to leave the Territories and possessions of the United States and the District of Columbia in the same category, since in most respects their functions and governmental structure are very similar to those of the States.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I will yield, but I hope the gentleman will make his question as brief as possible.

Mr. PATMAN. It does, however, include various instrumentalities of the Federal Government, such as the Farm Credit Administration, the Rural Electrification Administration, the R. F. C., the Federal land banks, and so on.

Mr. DOUGHTON. It includes them, but it does not, for instance, include the District of Columbia and the Territories. In the past most Treasury bills and certificates of indebtedness—that is, securities maturing in 1 year or less—have been specifically exempted from Federal taxation not only with respect to the interest thereupon but with respect to the gain from the sale of such securities. In general, the interest on Treasury notes and bonds has been subject to the surtax but not to the normal tax, and gain from the sale of such securities has been generally subjected to taxation in the same manner as other capital gains.

It will be noted that section 4 of the bill abandons these distinctions and makes not only the interest upon all types of securities issued hereafter fully subject to both the normal tax and the surtax, but also fully subjects the gains from the sale of these securities to the income tax.

By taxing the income from the future issues of obligations of the United States and its instrumentalities, it is believed that the Federal Government will eventually realize a net increase in revenue of from ninety to one hundred million dollars annually. According to figures presented to your committee by the Under Secretary of the Treasury, Mr. Bell, the additional interest cost which the Government will have to pay because of the removal of the Federal tax-exemption privilege will amount to only one-eighth of 1 percent in the case of long-term securities and from two to four one-hun-

dredths of 1 percent in the case of short-term obligations. It is estimated that even after taking these additional interest costs into consideration the net additional revenue which will be secured will eventually total ninety or one hundred million dollars annually.

This is deemed to be a very appropriate time for the Federal Government to put its own house in order with respect to tax-exempt securities. A great deal of controversy has raged over this question and points are involved about which constitutional lawyers differ. The legislation here concerned, however, raises no constitutional question. The relation between the Federal Government and the States is not affected. To fully subject Federal securities to the Federal income tax seemed to your committee particularly appropriate in connection with the financing of the national-defense program. Here we must exert a superlative cooperative effort—every class will be called upon to contribute to the fulfillment of our plans. People in all walks of life will purchase the securities authorized by the pending bill. Everyone should be called upon to share in the enormous task of supplying the revenue with which this program will be financed and these securities retired. It is fitting, therefore, from an equitable point of view that no particular class of security holders should receive preferential treatment. This result cannot be obtained so long as some securities are issued with tax-exemption privileges, for which the poorer classes of investors will pay little or nothing, but are worth a great deal to wealthier security holders.

Mr. RICH. I share that view exactly. Why can we not get a bill brought in here that will eliminate that after we retire the bonds that we have already issued? Why cannot that be accomplished?

Mr. DOUGHTON. That is what this bill intends to do with reference to Federal securities. So far as State and municipal securities are concerned, there is a constitutional question involved, and we do not think this is the opportune time to go into that matter, although it may come up later. We are going as far as we can consistently go in this bill by providing not only for the taxation of the interest therefrom but also for the taxation of the gains that may accrue from the sale or exchange of these securities. For instance, if you sell these securities at a profit, that profit will be subject to the income tax, the same as the interest. I feel we are taking a wise and proper step in this respect.

Mr. RICH. Do we understand that the bonds that will be issued pursuant to this bill will not be tax-free?

Mr. DOUGHTON. They will not be free from Federal income tax if they are issued after the effective date of this bill unless they are issued in pursuance of a contract entered into, before the effective date of this bill, between the Federal Housing Authority or the Maritime Commission and persons obtaining loans from these agencies. Otherwise, the interest upon and the profit from the sale of Federal securities issued hereafter will be subject to Federal taxation, just the same as any other income.

I know the minority members have signed a unanimous report against this bill. Their main contention is that it opens the door and is an invitation to extravagance. I do not believe that such contentions are in any respect pertinent to this bill. The time to fight extravagance is when appropriation bills are brought in here for consideration. So far as appropriations may be reduced and still be in accord with the proper activities of the Government, I am as heartily in favor and join as enthusiastically in the program of economy as any Member of this House. I bow to no man in my desire to accomplish that. [Applause.]

Mr. LUDLOW. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes; I yield briefly.

Mr. LUDLOW. I would like to say that Secretary Morgenthau appeared before our Subcommittee of the Post Office and Treasury Departments, of which I have the honor to be chairman, and submitted testimony extensively, to the extent of five pages, on the question of raising the Federal debt limit, all of which harmonizes with the gentleman's very learned and able presentation of the matter. I asked unanimous consent, and obtained it, to insert his testimony at the conclusion of the gentleman's remarks. I just wanted to make that statement so that it would be understood that his testimony is to follow your remarks.

Mr. DOUGHTON. I thank the gentleman.

(Secretary Morgenthau's testimony was as follows:)

TESTIMONY OF HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY, BEFORE SUBCOMMITTEE ON TREASURY DEPARTMENT APPROPRIATIONS TUESDAY, DECEMBER 17, 1940

Mr. LUDLOW. Now, Mr. Secretary, there is probably more acute discussion of the statutory debt limit than of anything else at this time. The statutory debt limit, I believe, is \$45,000,000,000, plus the \$4,000,000,000 of national-defense authorization. You recently, if I recall correctly, suggested that it would be wise to increase the debt limit to \$65,000,000,000.

Secretary MORGENTHAU. I might explain there that if you take the \$45,000,000,000 plus the \$4,000,000,000, you have \$49,000,000,000, and then if you take the money that Congress has appropriated for the national defense and other purposes, and if all that money was spent, the debt limit would be close to \$65,000,000,000.

Mr. LUDLOW. You suggested, I believe, that the \$65,000,000,000 figure was based more or less on a survey of the national-defense requirements.

Secretary MORGENTHAU. Unfortunately, I have to hold press conferences twice a week. I am asked a lot of questions, and I do the best I can to answer them. I have a table here, which was just given me this morning, and I will hand you a copy of it. Of course, this is a Treasury estimate, and not one of the Bureau of the Budget. The estimated unexpended balances of appropriations, as of June 30, 1940, excluding the Post Office Department, amount to \$3,300,000,000; the appropriations for 1941 and subsequent fiscal years, excluding the Post Office Department, amount to about \$15,100,000,000, making the total for which funds must be raised, \$18,400,000,000. If you deduct from that the estimated receipts for the fiscal year 1941, amounting as now estimated to \$6,600,000,000, the net amount to be borrowed will be \$11,800,000,000. The debt outstanding on June 30 accounted for \$43,219,000,000 of our

existing borrowing power, which would mean, if these figures are correct, that the statutory debt limit should be raised to not less than \$55,000,000,000.

Mr. LUDLOW. How long would that figure carry the Government's expenditures?

Secretary MORGENTHAU. If Congress, or if the Congress which is to meet, should not vote a dollar of new money—what I am trying to do here is just to lay before you a picture of it as of today.

Mr. LUDLOW. In other words, you are covering what we have appropriated or authorized to date?

Secretary MORGENTHAU. Yes.

Mr. BELL. The authorizations are not in this picture. This deals with just the appropriations. There are over \$8,000,000,000 of authorizations on the books, which are not included in this total.

Mr. TABER. You do not mean by that contract authorizations on the basis of appropriation bills, but you mean authorizations like those in Army and Navy bills that come from the Naval Affairs and Military Affairs Committees?

Mr. BELL. Yes; but some of them come from the appropriation bills also.

Mr. LUDLOW. This statement that the Secretary has referred to may go into the record at this point.

(The statement referred to is as follows:)

Appropriations and public debt

	Total (all departments, etc.)
Estimated unexpended balances of appropriations as of June 30, 1940 (excluding Post Office).....	\$3,300,000,000
Appropriations for 1941 and subsequent fiscal years (excluding Post Office)....	15,100,000,000
Total for which funds must be raised.....	18,400,000,000
Deduct estimated receipts for fiscal year 1941.....	6,600,000,000
Net amount to be borrowed.....	11,800,000,000
Gross debt under statutory limitation on June 30, 1940 (includes future accruals on United States savings bonds outstanding on this date and excludes debt not under statutory limitations).....	43,219,000,000
Statutory debt limitation should be raised to not less than.....	55,019,000,000
NOV. 30, 1940	
General debt limitation.....	\$45,000,000,000
Debt outstanding thereunder.....	44,277,000,000
Balance of borrowing authorization.....	723,000,000
National-defense limitation.....	4,000,000,000
Debt outstanding thereunder.....	302,000,000
Balance of borrowing authorization.....	3,698,000,000
Total borrowing authorization.....	4,421,000,000

Secretary MORGENTHAU. As of this date, Congress has voted and appropriated enough money, if it were all spent, to make necessary a debt limit of \$55,000,000,000. On the basis of the money appropriated we will need a debt limit of that amount. That does not take into account any action that the new Congress may take.

Mr. MAHON. It just takes into consideration the collection of taxes for this year?

Secretary MORGENTHAU. Yes. We deduct the estimated receipts for the fiscal year 1941, of \$6,600,000,000. That is the position as of today.

Mr. KEEFE. Can you estimate about how long it will take to spend those appropriations that you have included in your estimate? How long will that project itself into the future?

Secretary MORGENTHAU. That is, this money, not taking into consideration any additional action by Congress?

Mr. KEEFE. Yes.

Secretary MORGENTHAU. It would be a guess. It would be until the last dollar was spent, and I would not want to guess at it.

Mr. KEEFE. Generally, would it run along through the fiscal year 1942?

Secretary MORGENTHAU. Some of it might, but certainly the bulk of it would not.

Mr. KEEFE. If this picture is to be really understandable, we would have to add to this total of \$55,000,000,000 the amount that this present Congress will appropriate.

Secretary MORGENTHAU. That is right, less any contemplated revenue to be received in the fiscal year 1942.

Mr. KEEFE. I have not seen the Budget estimates, but I imagine that they amount to \$9,000,000,000 or \$10,000,000,000, without anything additional for national defense.

Secretary MORGENTHAU. I have not seen them, either.

Mr. KEEFE. They would have to be added to that figure you gave.

Secretary MORGENTHAU. Yes.

Mr. KEEFE. And you would take the estimated revenue receipts for this fiscal year?

Mr. BELL. You would have to add to the Secretary's figure next year's Budget deficit. You would have to take the total of those appropriations, less receipts, and add it to this figure in order to get a debt limitation to carry through the fiscal year 1942.

Mr. KEEFE. I want to ask one further question: According to your present expectation, this is going to boost the debt requirements up to the figure which you have just indicated, or to at least \$65,000,000,000 at the end of the fiscal year 1942.

Secretary MORGENTHAU. Close to it. I am doing a lot of guessing, but I think I am on the conservative side.

Mr. LUDLOW. To provide a reasonable statutory cushion for the future, you think that the debt limit should be fixed somewhere around \$65,000,000,000?

Secretary MORGENTHAU. Do you mind if I answer that a little differently?

Mr. LUDLOW. All right.

Secretary MORGENTHAU. I have put before you gentlemen what the position is as of today, with the amount of money that Congress has actually voted. Taking into consideration what Congress has actually voted, that presents a figure of, roughly, \$55,000,000,000. Now, certainly Congress does not want to repudiate its own actions, and it will certainly make it possible for the Treasury to meet the contracts which Congress has authorized. Now, how much more you will do, or how many jumps you want to take, I do not know, and I do not know how much you like to be bothered by having me come up here.

Mr. LUDLOW. Your use of the word "jumps" brings to my mind here what I have seen suggested by certain persons, who appear to be thoughtful persons, that it might be advisable, in order to make Congress and the country more debt conscious and to probably hold expenditures down, to increase the statutory debt limit in increments, and not all at one time, in increments of, say, \$2,000,000,000, \$3,000,000,000, or \$5,000,000,000 at a time, rather than cover the larger scope of a high debt limit at one jump.

Secretary MORGENTHAU. I can give an example of that: In talking some matters over with the Speaker once, I said, "If these boilers need so many barrels of oil to produce

so much steam. Congress might give me three pipe lines instead of one in order to feed the boilers so as to produce so much steam." The Speaker, who came from Texas, said, "Yes; but three pipe lines produce more friction than one." Once you people have voted the money, the mere fact of raising the debt limit \$1,000,000,000 at the time will make nobody spend less money. That is because Congress will have authorized the expenditures, and it will be a part of the law.

Mr. TABER. In other words, the bureaucrats will not save any money once they get the go sign, regardless of whether you raise the debt limit \$1,000,000,000 at the time, or raise it by several billion dollars.

Secretary MORGENTHAU. I dare say, with all due respect, that the place to save money is here, and not after you have voted it. This is the place to save it, because once you have voted it, it will be spent.

Mr. JOHNSON of West Virginia. And you have nothing to do with our voting the money.

Secretary MORGENTHAU. No.

Mr. JOHNSON of West Virginia. You are a man on the outside to carry out our wishes. Secretary MORGENTHAU. That is it.

Mr. LUDLOW. Have you given any thought to how high you feel the debt limit might safely go?

Secretary MORGENTHAU. I think I should not predict that, if you do not mind, Mr. Chairman.

Mr. JOHNSON of West Virginia. If you knew how Congress would act in the future, you could probably give us some idea as to the debt limit.

Secretary MORGENTHAU. I remember last year, holding my breath, and with beads of perspiration on my forehead, I suggested \$50,000,000,000.

Mr. LUDLOW. I did not notice the perspiration, but I can give you the exact language you used. You said:

"I am willing to say now, gentlemen, that there is no particular danger involved if Congress would raise the debt limit to \$50,000,000,000. Beyond that I would not venture an opinion."

NATIONAL-DEFENSE FINANCING

Mr. KEEFE. We have reached the point in the international situation where events are almost unpredictable at the present time.

Secretary MORGENTHAU. That is true. We do not know from day to day what it will be.

Mr. KEEFE. You are not able to tell what the debt limit should be because of the constantly recurring demands. The press this morning discussed the possibility of a billion dollars in a gift or loan to Great Britain. Now, how long that will continue, we do not know.

Secretary MORGENTHAU. No; I do not know. What I am trying to do is to lay before you gentlemen the general situation as of today. That is what this piece of paper, or this table, is. It is an inventory of the situation. I do not believe, and never have believed, in trying to keep the lid down on the debt limit below what you gentlemen are voting, with the thought that it will save money, because it does not. Once Congress votes the money or authorizes contracts by the United States Government, it will be spent.

Mr. KEEFE. With the present psychology of the public mind, if it is reflected by the action of Congress, we will be greatly speeding up the national defense, and nobody knows where it will go, or how much money will be required. Is that not true?

Secretary MORGENTHAU. Yes, sir; that is true.

Mr. KEEFE. In view of the national-defense program that has been proposed or suggested by the administration, there is no possibility that at any early time we can set any specific debt limit, in view of the contingencies that exist and the constant

appropriations that are being required for defense purposes.

Secretary MORGENTHAU. That is right. That is the reason I do not want to make any prophecy as to how high the debt limit may go.

Mr. KEEFE. Nobody knows that.

Secretary MORGENTHAU. I do not think anybody who is sincere will say he knows that.

Mr. LUDLOW. I would like to ask you how much, in your opinion, of the national-defense financing should be raised by taxes and what proportion by borrowings. Should we not, as far as possible, pay it out of current revenues instead of passing the obligation to future generations?

Secretary MORGENTHAU. If I may answer that in my own way, talking in my capacity as Secretary of the Treasury—and I must say that I do not know what facts the Bureau of the Budget may have, because it is no longer under the Treasury, so I do not have an opportunity for the intimate contact that I used to have with that Bureau when it was under the Treasury—what I would like to see personally would be this, that the revenues of the Government would at least be great enough to pay all the ordinary expenses of the Government, including the annual maintenance of our Army and Navy. I would also like to see a reasonable amount of revenue available so that each year we could retire a certain amount of the obligations issued to provide funds for the national-defense program. If that could be brought about, I think it would be a wholesome situation.

Mr. LUDLOW. Was there not in the World War period a definite ratio established which was believed to be a safe financial basis to act on, namely, to pay one-third of the expenses of the war from revenues and two-thirds from borrowings?

Mr. BELL. I do not think it was very definite as to one-third coming out of revenues and two-thirds from borrowings.

Mr. LUDLOW. But that was the way it was intended to operate, was it not?

Mr. BELL. As I recall, Secretary McAdoo made the statement at the beginning of the war that he hoped we would pay 50 percent of the war expenditures out of revenues, but it actually worked out about one-third from revenues and two-thirds from borrowings.

Mr. LUDLOW. I wonder if you could not give an opinion of your own as to the desirability of such a ratio in connection with the present situation?

Secretary MORGENTHAU. If the situation should work itself out, which means that if Congress should write the ticket of two-thirds from borrowings and one-third from revenues, I would be delighted to accept it.

Mr. CROWTHER. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, the explanation of the bill and its purposes has been so thoroughly set forth by our distinguished chairman that it will be unnecessary for me to take any of the time I have allotted myself for that purpose. I am here merely for the purpose of making clear what the attitude of the minority members is on this subject, although I believe it is very clearly expressed in the minority report.

Of course, it is obvious that some additional borrowing authority must be granted, and the question with us is, How much? We are quite certain that the \$60,000,000,000 that we shall recommend will be quite sufficient, and I shall offer an amendment at the proper time and a motion to recommit to place the figure at \$60,000,000,000. This will cover the necessities of the Treasury for at least a year and probably for a year and a half. The likelihood is that the Congress will be in almost continuous session during that time.

We raised the debt limit \$4,000,000,000 in June, and a considerable amount of that has already been used. As stated by the Secretary of the Treasury, the fact of the matter is the Treasury will be in financial difficulties in May and will in a sense be unable to meet its obligations. I hope we shall not forget that we have accumulated deficits of \$42,000,000,000 between 1931 and 1942, and the deficits anticipated for this fiscal year will be something over \$6,000,000,000 and will be over \$9,000,000,000 for the fiscal year 1942.

Mr. Chairman, it is my desire to keep within the allotment of time; therefore, I ask unanimous consent to read a short editorial from this morning's New York Herald Tribune, which so well expresses our position, perhaps better than I can do it in my own words.

The CHAIRMAN. Is there objection to the request of the gentleman from New York [Mr. CROWTHER]?

There was no objection.

Mr. CROWTHER. Mr. Chairman, this is entitled "Intelligent Opposition":

The Republican members of the House Ways and Means Committee, headed by Representative ALLEN T. TREADWAY, of Massachusetts, have filed a report in which they dissent from the majority's action of earlier this week in voting an immediate increase in the Federal debt limit to \$65,000,000,000.

Since the minority members are prepared to accept an increase in the debt to \$60,000,000,000, some will say, perhaps, they are assuming a quibbling attitude. But this, it seems to us, is a totally wrong view of the situation. The burden of proof should not be upon those who urge that the debt be raised only by the minimum amount necessary, but upon those who believe that the existence of the emergency means that the Administration should be granted everything it demands, with no questions asked. We should be the last to countenance obstructionist tactics on the part of any group at times such as these, but it seems to us that an intelligent and patriotic opposition has a twofold responsibility to the country in the present situation. On the one hand it should see that the Government obtains with a minimum delay all the powers that are genuinely necessary for the defense effort; on the other hand, it should be eternally on its guard lest the emergency be made the excuse for the seizure of new and superfluous powers and for an abandonment of all the peacetime standards of economy.

The minority of the Ways and Means Committee recognizes the need for raising the debt limit from the present figure of \$49,000,000,000, but it maintains that Congress would be going quite far enough at the present time in providing for the needs of the Treasury a year or a year and a half ahead. It is difficult to see anything either ungenerous or unreasonable in such an attitude. But, in addition to this more or less negative proposal, the minority offers four positive suggestions which it believes should be incorporated in the financing of the defense effort. These call for (1) the establishment of a non-partisan congressional committee to coordinate Federal revenues and expenditures; (2) the adoption of a policy of strict economy with respect to nonmilitary expenditures; (3) the supervision of military appropriations with a view to seeing that they are expended "wisely and without waste," and (4) an increase in Federal revenues so that the defense effort may be financed so far as possible on a pay-as-you-go basis.

This is a constructive program which certainly deserves the thoughtful consideration of Congress. And in presenting it the Republican members of the Ways and Means Committee are setting an excellent example of

how to steer an intelligent course between obstructionism, on the one hand, and "rubber stampism," on the other.

Mr. Chairman, I think we all realize the necessity of raising the debt limit at this time, but with Congress in session it appears to me that the \$60,000,000,000 will be adequate. Of course, I have been pleading during the last session of Congress, and made an address toward its close on that subject, for the committee to begin actively a study looking to a revision of our tax system. We have tried during the last 8 years of which I have been a member of the subcommittee on six or seven different occasions to have a thorough revision of our tax program, and have something of advanced thought and construction in connection with it, but each time we have been compelled by necessity to drop our revision and seek sources of revenue. The constantly increasing demands for revenue has made it necessary for the subcommittee to quit entirely its efforts to revise and reconstruct our tax legislation, to immediately seek new sources of revenue.

New sources of revenues are gradually drying up. The States and the Federal Government are treading on each other's toes in the effort to find new revenue. Nothing needs more of reconstruction and revision than our present tax law. I think we have wasted valuable time in this session of Congress. There is some logic in waiting until March 15 in order to find out what the returns will be from the two tax bills that we passed in 1940, but it seems to me that we might have used some of this time in preliminary spade work and advancing toward a task that is going to require the best efforts of the committee.

Mr. THILL. Will the gentleman yield?

Mr. CROWTHER. I yield to the gentleman from Wisconsin.

Mr. THILL. Under the terms of the bill the direct obligations of the Treasury are limited to \$65,000,000,000. Does the gentleman have any idea what the amount of indirect obligations of the Government may be?

Mr. CROWTHER. No; I do not, but let me say that this proposed \$65,000,000,000 limit does not contemplate the expenditures that will be made necessary by the passage of H. R. 1776 on last Saturday. Those expenditures are not included.

Mr. Chairman, I now yield 10 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, H. R. 2959 is an indictment of the most wasteful and most extravagant administration in all the history of the Republic. When Mr. Roosevelt became President and set the wheels of experimentation going, the national debt was \$22,000,000,000. Today, less than 8 years thereafter, it has grown to the stupendous sum of over \$45,000,000,000, or \$45 for every minute since the dawn of the Christian era. Before Mr. Roosevelt will have served one-half of his third term—which, by the way, I may say to my good friend from North Carolina, was bought with money out of the Federal Treasury—Mr. Roosevelt will have spent \$97,546,000,000—more than was spent by all the Presidents or all the administrations from Washington down

to and including a portion of the Wilson administration, which includes the cost of the War of 1812, the numerous Indian wars, the Mexican War, the Civil War, and the Spanish-American War.

No wonder Mr. Morgenthau, in appearing before our committee to urge the enactment of this legislation, told us that the financial condition of the country was causing him many sleepless nights. We assured the Secretary that he had lots of company; in fact, I guess about the only place where they are not losing any sleep is down there at 1600 Pennsylvania Avenue.

As the gentleman from New York [Mr. CROWTHER] told you, this is the second time within less than 8 months that we have been called upon to raise the national-debt limit. We raised it last June, as you recall, from \$45,000,000,000 to \$49,000,000,000, and now we are asked to raise it another \$16,000,000,000 or maybe you will understand it better when I say sixteen thousand million dollars. They tell us it is necessary to increase the limit by this amount because Uncle Sam is going to be scraping the bottom of the bin in May and will be unable to meet current expenses if we do not pass an authorization for a further increase in the national debt.

Of course, none of us wishes to see the Government fail to meet its current obligations, but we of the minority in the Committee on Ways and Means take the position that a \$16,000,000,000 increase at this time is not warranted. We are willing to go along on \$60,000,000,000, to raise the limit to \$60,000,000,000, which would carry us through the fiscal year 1942. Congress is going to be in constant session; in fact, I have sent home for my fishing rods because I do not expect to be able to get back to Minnesota to do any fishing this summer. If it becomes apparent later on that a further increase in the debt limit be necessary to meet running expenses, of course, Congress will have to authorize it.

It has been my observation that Brother Roosevelt will spend all the money that we give him, and if he does not have it he will spend it anyway. He is running the Government on a sort of installment payment plan, so much down and so much a month for the rest of our lives.

I call your attention to the stupendous increase that has been made in Government spending. The revenues of the Government have increased from \$3,190,000,000 in 1931 to \$8,275,000,000, which is the estimated revenue receipts for 1942. I anticipate that someone who is to follow me on the majority side will use that tremendous increase in Government revenues as a sort of bouquet for Brother Roosevelt. They will point out how low Federal receipts were back in 1931. Anticipating that point, may I say that we were in the midst of a depression lack in 1931 that was worldwide, and the depression in this country was wholly due to the war that you Democrats promised to keep us out of in 1917.

Mr. STEFAN. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Briefly.

Mr. STEFAN. The House Committee on Appropriations will soon bring in the appropriation bill making appropriations for the Treasury Department. In the hearings the gentleman will find that the annual interest on our public debt as it stands today runs well over \$1,000,000,000, but when we increase our public debt to \$69,000,000,000 the interest will run something over \$1,600,000,000. It will represent a little more than one-half the Government receipts in 1931. I wonder if the gentleman has thought about how that is going to affect the taxpayer, who will eventually have to pay this bill.

Mr. KNUTSON. Of course, we will have to substitute the wringer for the eagle on the national coat of arms. If the gentleman's work on the Committee on Appropriations is giving him concern, let me reassure him that under the lease-lend bill we passed on Saturday the Committee on Appropriations will have very little to do in the future. All those details will be taken care of down at the other end of the Avenue. I have an idea that the tombstone cutters are going to have a lot of work right after next election.

Mr. WOODRUFF of Michigan. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Michigan.

Mr. WOODRUFF of Michigan. Inasmuch as the gentleman has referred to taxes and the Treasury receipts of 1931, I believe it would be very helpful to the Members of the House if the gentleman would place in his remarks a table showing the tax receipts and the deficit for the 8 years previous to the present administration.

Mr. KNUTSON. I will insert at this point the figures asked for by the gentleman from Michigan.

The following table will give the House an idea of how the public debt has increased the past 12 years and this, notwithstanding the fact that the net revenues have increased from \$3,190,000,000 in 1931 to an estimated income of \$8,275,000,000 in 1942. During the same period the annual expenditures of the Federal Government increased from \$3,652,000,000 to \$17,485,000,000, and assuming that the Budget estimates of expenditures for 1941-42 are correct, the Federal Government will have spent in that period the gigantic sum of \$97,546,000,000. These are figures that can hardly be grasped by astronomers who compute mileage between the various heavenly bodies. The table follows:

	Net revenues	Public debt
Year ending June 30—		
1931.....	\$3,190,000,000	\$16,801,000,000
1932.....	2,006,000,000	19,487,000,000
1933.....	2,080,000,000	22,539,000,000
1934.....	3,116,000,000	27,053,000,000
1935.....	3,800,000,000	28,701,000,000
1936.....	4,116,000,000	33,778,000,000
1937.....	5,029,000,000	36,425,000,000
1938.....	5,855,000,000	37,165,000,000
1939.....	5,165,000,000	40,440,000,000
1940.....	5,387,000,000	42,968,000,000
1941 (estimate).....	7,013,000,000	49,157,000,000
1942 (estimate).....	8,275,000,000	58,367,000,000
Total.....	55,032,000,000	

1 Compiled from 1942 Budget, table 8, p. 1046.

I may say that our deficits have been getting bigger and redder. Of course, I can understand how the color red would have an appeal for many of the long-haired boys on the majority side of the aisle.

Mr. WOODRUFF of Michigan. I assume that while the deficits have been growing greater and greater our tax receipts have been growing greater and greater at the same time.

Mr. KNUTSON. Let me assure my good friend that when bigger and better deficits are found, Brother Roosevelt will find them.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Michigan.

Mr. CRAWFORD. In the last report of the Treasury, in June 1940, there is a table showing that when we entered the war, our whole gross Federal debt was \$1,225,000,000 plus. The gentleman from Nebraska tells us that the interest on this debt when we enter this war will be \$1,600,000,000, or nearly \$400,000,000 larger than the whole debt was before we entered the last war.

Mr. KNUTSON. It will be several times that big before we get through. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 12 minutes to the gentleman from Virginia [Mr. ROBERTSON].

Mr. ROBERTSON of Virginia. Mr. Chairman, it is my purpose to address myself briefly to one phase only of this bill and that is the \$65,000,000,000 limitation. I favor that limit.

I have, of course, read the recommendations in the minority report and take no exception to the editorial published in the New York Tribune praising the first four. The first four of those recommendations are good ones on general principles, but, of course, they have no bearing at all on what is under consideration here today. We cannot put an amendment on this bill to provide for a joint congressional committee. We cannot do more than say to the Appropriations Committee that we would like for that committee to economize in nonmilitary expenditures. We cannot put anything in this bill to guarantee that none of this debt increase will be unwisely spent, and we cannot put in this bill more than we have put in it to pay currently as large a part of the defense program as possible, namely, to make the income from future issues of Government bonds fully taxable. Now, we come down to the only pertinent observation of the minority and that, I think, grows out of a misunderstanding of the figures actually involved. So I am going to address my remarks primarily to my distinguished colleagues on the minority side, because I think if we could agree on the figures we would then be in agreement on what action should be taken. I address my remarks to the ranking minority Member, the distinguished gentleman from New York, Dr. CROWTHER, who is always as fair as he is patriotic, and he is always both. I address my remarks also to my distinguished colleague from New Jersey [Mr. McLEAN], one of the outstanding lawyers of the country, who makes a financial

sacrifice every year he stays in Washington to serve his district, State, and Nation. I realize, of course, that on certain fundamental, international issues, I have not seen eye to eye with my Republican colleagues. I have never been an isolationist. I thought the Republican leaders were wrong 21 years ago when they defeated the League of Nations. I thought they were wrong when they tried to block us from getting away from the restrictive features of the Hawley-Smoot tariff bill that were stifling our foreign trade. I thought they were wrong when they opposed our efforts to amend the Neutrality Act in order to furnish supplies on a cash-and-carry basis to Great Britain, and I thought they were wrong when they voted against the lease-lend bill on Saturday to render aid of a material character and not just soft-spoken words and expressions of love for democracy and admiration for the undaunted courage of the British.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON of Virginia. I yield.

Mr. RICH. If the Republicans were wrong in trying to change the Neutrality Act, then I would gather from the gentleman's statement that because a great many of them objected to the lease-lend bill that the gentleman is in favor of giving the President authority to give away everything that we have to anybody that he may think needs it. If that is the way the gentleman feels that we should treat the American people, then he is entirely different in his views from what I think, because I think we ought to try to take care of our own American people first and then, if we have anything with which to aid or assist foreign countries, we can use our best efforts to that end.

Mr. ROBERTSON of Virginia. I do not think the observation of the distinguished gentleman from Pennsylvania is justified. Before the bill was passed we put a definite limitation on what we could give away of our own supplies, and the other supplies were contingent upon future appropriations of the Congress; and I want to point out, in giving you the actual figures on debt limitations, how it will be impossible for the 160 Members, largely on the Republican side, who voted for the Fish amendment, to lend \$2,000,000,000 to Great Britain as aid—because they said they wanted to aid Great Britain—to lend them one red cent unless we raise this limitation to \$65,000,000,000.

I assume that, notwithstanding the difference I have mentioned on the subject of isolationism, the Republicans who voted for that amendment to lend \$2,000,000,000 to Great Britain were sincere in their stand and do not want to take action now that would make that impossible of accomplishment.

Mr. RICH. Mr. Chairman, will the gentleman yield for one further question?

Mr. ROBERTSON of Virginia. Very briefly.

Mr. RICH. Is the gentleman in favor of a debt limit of \$65,000,000,000 now?

Mr. ROBERTSON of Virginia. I am; and since the gentleman knows so well that I have consistently voted for econ-

omy in this House, and knows that when it comes to voting for economy, as well as talking about it, I yield to no Member of the House, save only the distinguished gentleman from Pennsylvania and, possibly, his colleague the gentleman from New York [Mr. TABER], the gentleman will realize that when I rise to support a debt limit above what the minority has recommended I must have some good and sufficient reason for doing it.

Mr. BROOKS. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON of Virginia. I yield for a brief question.

Mr. BROOKS. As a matter of fact, is not the only way we can proceed with the national-defense program and with assistance to England by increasing the debt limit at this time?

Mr. ROBERTSON of Virginia. Very definitely; and I propose to show you the figures that lead me to that conclusion.

I hope I am not now speaking in any partisan way. My colleagues know there has never been any aisle that I have hesitated to cross on any economic issue when I felt the welfare of the people was at stake. I was one Democrat 2 years ago who spoke against another kind of lease-lend, a \$3,000,000,000 bill, said to be the answer to recovery, and I got time yielded to me from the Republican side, and spoke against the bill, and was delighted when we were able to defeat it. On many economy issues I have not hesitated to cross the aisle to support motions that came from the Republican side in the interest of economy.

In 1935 I took this floor in opposition to the pending bill to appropriate \$4,800,000,000 for relief and recovery. At that time I pointed out that in the midst of the depression in 1933 we had appropriated only \$330,000,000 for relief, and no one, so far as I knew, had starved. We increased that the next year by 300 percent, and then we came to the appropriation of \$4,800,000,000. I vigorously opposed it with all the power I had, but unfortunately to no effect, and I predicted then that if we continued that type of enormous expenditure, I felt it would be conducive to extravagance and we would live to see the national debt rise to \$50,000,000,000. I said that with a shudder, but unfortunately not many other people shuddered at that time, and now we come to raising the debt limit to \$65,000,000,000. And some of you are asking why, if you believe in economy, you favor a \$65,000,000,000 debt limit. That is what I propose to explain now.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON of Virginia. Yes.

Mr. RICH. I admire the gentleman, but I think if he could get the other Members on his side of the House who are not here in the hall to listen to what he has to say it would be a mighty fine thing.

Mr. CARLSON. Mr. Chairman, I would be glad to have the gentleman justify the sixty-five billion debt limit. I appreciate his interest in the matter.

Mr. ROBERTSON of Virginia. That is the reason that I am coming to the point I sought to make when I first rose.

The 1942 Budget just submitted estimates that the gross public debt of the United States will be \$58,367,000,000 on

June 30, 1942. This debt, as stated, does not include the future accruals on United States savings bonds, which must be provided for under any limitation of the outstanding debt fixed by the Congress. What this accrual will amount to is, of course, difficult to estimate at this time, as it depends largely upon the program which the Treasury will adopt for the sale of additional savings securities. I am advised that the annual sales of United States savings bonds are now running at approximately \$1,000,000,000 a year. If these should be increased to, say, \$3,000,000,000, it would be necessary to provide for \$1,000,000,000 additional debt limitation to take care of the future accruals on such securities. Neither does the debt as stated include any expenditures that might be made under the pending lend-lease bill or any further expansion of our national-defense program, if that should become necessary. It would seem that Congress should provide some cushion for these possibilities, and I should not think that the limit fixed by this bill provides an unreasonable amount. Of course, it is understood that the Treasury would never borrow funds in excess of the expenditure programs formulated under appropriations duly made by the Congress.

Now as to appropriations. According to the Budget document, we have a national-defense program of \$28,500,000,000. It is true that it will not all be appropriated by the end of the fiscal year 1942, but a very large part of it will be appropriated. I am sure that no one would contend that the Congress should not provide the Treasury with sufficient borrowing authority to meet all of the appropriations which Congress has made or contemplates making during this session, less the estimated receipts for this and next year.

I have a table which shows that the debt limit of \$65,000,000,000 fixed by this bill will just about take care of the appropriations made and those contemplated in the Budget after eliminating the appropriations for our sinking fund. Here again nothing has been included for aid to Great Britain or any further expansion of our national-defense program over and above what is contemplated in the Budget document.

Necessary debt limitation to meet appropriations made and contemplated in 1942 Budget, less estimated receipts

[In millions of dollars]	
Unexpended balances, June 30, 1940..	3,300
Appropriations for 1941	15,100
Appropriations for 1942	15,065
Supplemental appropriations carried in 1942 Budget (p. A-81)	3,500
Total appropriations	36,965
Less:	
Estimated net receipts for 1941..	7,013
Estimated net receipts for 1942..	8,275
	15,288
	21,677
Gross debt subject to limitation, June 30, 1940	43,219

Necessary debt limitation, June 30, 1942

64,896

¹ Excludes appropriations for public-debt retirements and from postal revenues.

In the light of these figures, which were submitted to me today by a Treasury official, those who oppose a \$65,000,000,000 limit not only do not want to render aid to Great Britain, they are willing even to take a chance on our own defense. I am for economy, yes; but agree with Pinckney, of South Carolina, "Millions for defense." Let us take no chances on that vital issue.

Mr. CROWTHER. Mr. Chairman, I yield now to the gentleman from Michigan [Mr. HOFFMAN].

ARMY AND NAVY WIN VICTORY ON HOME FRONT

Mr. HOFFMAN. Mr. Chairman, the Congress should feel elated. The press of Saturday advised us that striking members of the C. I. O., Local 248, U. A. W. A., headed by Harold Christoffel, have finally consented that completed equipment vitally needed by the War and Navy Departments shall be turned over to those Departments, provided the union designates the men who are to do the removal work.

Christoffel, head of Local 248, U. A. W. A., C. I. O., was a member of the executive board of the Communist provisional committee of the C. I. O. and has been designated by the Communist candidate for attorney general of Wisconsin as a loyal Communist.

It certainly must be gratifying to the high command of the Army and the Navy and to the President of the United States, who is Commander in Chief of both, that the C. I. O., with this Communist at its head, has finally consented to release this vitally needed material.

Our War and Navy Departments, which are spending billions of dollars for national defense and who will be called upon to direct the war which the President is about to get us into and which the poor man will be called upon to fight and pay for, have won a victory.

You may recall that more than a year ago an affiliate of the C. I. O. at Detroit held up the Navy equipment for something like 41 days. This equipment at Milwaukee has been held up only 20 days up to today—a partial victory, as this strike has so far continued 21 days less than the Detroit strike.

Under the agreement the War and Navy Departments, your Government and mine, made with the C. I. O., Navy material was to move the morning of February 8, and Army materials will begin to move today.

Perhaps the C. I. O. will let us have a little more later on. Let us hope that when the President, under the lend-lease bill, begins to ask for a billion or two dollars' worth of material, the C. I. O. will be equally complacent.

Col. Donald Armstrong, ordnance executive officer in the Chicago district, had complained that the strike, which still continues, was holding up the entire United States powder-manufacturing program, and, I quote, "endangering the safety of the country."

Colonel Armstrong had sought the release of what he termed "key equipment" and had given notice that "the Army cannot sit back and let national defense be sabotaged by failure to deliver this material." He further said:

One hundred and thirty million people are not going to sit back and do nothing about it.

War Department officials in Washington are upset by the potential delay in getting this equipment out. We are maintaining an absolutely neutral attitude with respect to the issues in the dispute, but are extremely anxious for this machinery. It is key equipment, and the whole United States powder program is blocked because of it.

Somebody in Milwaukee has to accept the responsibility for failure to get this equipment out.

So the company consented that American citizens should be denied the opportunity to aid in getting the equipment out and permitted the C. I. O. local, "red" from its toenails to the crown of its head, to designate the men to move it.

Have we any assurance that, if real danger comes to our shores, these Communists, working in conjunction with their "red" brethren in Russia, will not be an effective fifth column by holding up production, destroying material already manufactured?

It is to be hoped that the colonel will not be impolite to nor offend the C. I. O. nor Harold Christoffel to such an extent that it or he refuses to carry out the agreement. War and Navy officials should remember that Sidney Hillman of the Defense Commission is also a vice president of the C. I. O. and, if displeased, he may insist that the War Department refuse to accept this much-needed material.

He may follow the same course he did with reference to the Ford contract, where, as you recall, he refused to let the Ford organization produce defense material for the reason, among others, that Ford refused to compel his employees to pay Sidney's C. I. O. the money they demanded.

It is a wonderful thing to serve two masters; to get away with it. Hillman of the Defense Commission is charged with getting production—as a member of the Defense Commission; and, as vice president of the C. I. O., he prevents production until honest American citizens pay an organization affiliated with the organization of which he is vice president for the privilege of doing it.

And Sidney Hillman says that we do not need any new labor legislation; that the present situation is "very satisfactory." It ought to be; with Eleanor Roosevelt encouraging strikes and so aiding his organizing drive by telling us the President has power to take over Ford; with the War Department denying a contract to Henry Ford, even though he would have saved us \$250,000. Hillman and the Communists are sitting pretty, but I doubt if they are satisfied or will be until they have brought about their revolution.

It may be that Congressmen who let the C. I. O. tie up the defense program, let Sidney Hillman sabotage that program, will hear from their constituents along in November 1942; that is, if we have an election then, and if the voters have not forgotten that many of them were denied the right to work on the defense program.

Mr. CROWTHER. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS of Ohio. Mr. Chairman, I compliment the gentleman from Virginia [Mr. ROBERTSON] on his statesmanlike attitude in the past in his efforts to accomplish economy in the expenditure of public money. He has been one out of a few on the Democratic side who has ever been courageous enough to do that. If the Democratic leadership and the Democratic Party had followed the position taken by the gentleman from Virginia we would not be today in the position we are in as far as this gigantic debt is concerned. For instance, as he outlined, there was an appropriation of four and a half billion dollars and another one of \$3,000,000,000 and others so that nearly \$10,000,000,000 would have been saved if the gentleman's advice had been followed. But extravagance was the watchword. I may say for the benefit of those new Congressmen that I have watched with a great deal of interest this terrific orgy of spending. They will be surprised to learn perhaps that when the depression first came down, with a good deal of timidity we appropriated \$150,000,000 with which to break the back of the depression. We thought we were courageous when we appropriated the gigantic sum of \$150,000,000, \$100,000,000 to be spent in building post offices and other public buildings throughout the country, and \$50,000,000 to be spent in the city of Washington. Various Members of Congress at that time made suggestions as to how much it would take to break the depression. The highest figure that I recall was a figure advanced by one of the United States Senators, and he was courageous enough to say that if we appropriated \$10,000,000,000 we would be sure to break the depression. Then the time came when we had to appropriate at one time in one year four and a half billion dollars, and that was when the distinguished gentleman from North Carolina [Mr. DOUGHTON] should have stood up and spoken against extravagance.

I am not saying that as critical of the chairman of the Committee on Ways and Means, because I know that in his own heart he has not been in favor of these extravagances. But today we find ourselves owing more money, I think, than any country in the history of the world ever owed, and still we are at peace. We are not at war with anybody. We say proudly that we are not at war, but still we owe more debt than any other nation in the history of the world. What are we doing about it? We are running into debt every day \$25,000,000 or more.

Mr. DINGELL. Will the gentleman yield?

Mr. JENKINS of Ohio. No. If I have time I will be glad to yield later, but not now. We are running behind at the rate of \$25,000,000 or more every day.

I do not like to criticize the Democrats as one group for that, because I know they do not like that. But here is the only real criticism I ever make of our President. The only criticism I ever make when I am dead in earnest, I say that I cannot see how the President can spend this money and laugh about it.

Most people dislike to go in debt. But our President is not one of them. Morgenthau said at the hearings before the Ways and Means Committee that he does not sleep at night. Nobody ever heard the President say a word about losing any sleep. He spends and spends without regard to any future. He says, "Oh, the dollar sign is a crazy sign." My friends, you cannot pay that debt by calling the dollar sign a crazy sign. You cannot pay it by taking off the dollar sign from in front. What is our position today? We say in this report—we Republican members of the Ways and Means Committee say that it is our judgment that we ought to vote against this bill unless it is reduced from \$65,000,000,000 to \$60,000,000,000. Why do we say that? We say that at the end of 1942 \$53,000,000,000 will be the outstanding obligations, but we go to \$60,000,000,000. We appreciate that something is going to come out of this lease-lend bill. The money has to come from somewhere to pay that, and we have to pay the bill. But no appropriation has been made yet for that sum. And, as a matter of fact, the lease-lend bill is not a law as yet.

Mr. VORYS of Ohio. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. VORYS of Ohio. Would not the extra \$2,000,000,000 there take care of the \$2,000,000,000 that the Republicans voted for last Saturday which the gentleman from Virginia [Mr. ROBERTSON] has just referred to?

Mr. JENKINS of Ohio. That will answer that question.

Mr. RICH. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. RICH. Do you not believe that if you have a child that is a spendthrift and you want to try to check it, the thing to do is not to give it all it wants, but give it a little at a time and try to teach it the value of money? Do you not think we ought to do the same thing with this Government?

Mr. JENKINS of Ohio. The gentleman is exactly right.

Mr. KNUTSON. What the Government needs is a guardian.

Mr. DINGELL. Will the gentleman yield to me now?

Mr. JENKINS of Ohio. I yield.

Mr. DINGELL. I think in fairness to those who are going to read this very fine speech by the gentleman from Ohio he ought to put down voluntarily his record of his own vote on expenditures.

Mr. JENKINS of Ohio. I would be glad to do so.

Mr. DINGELL. I think it would be very enlightening.

Mr. JENKINS of Ohio. I would be very glad to do so. I am proud of my record in that respect. I have voted against many billions of these wasteful extravagances. I voted against the \$4,000,000,000 and I voted against the \$3,000,000,000, and a lot of them. I will be glad to put my record in in that respect.

Mr. DINGELL. It will be interesting to show what the gentleman voted for on these big bills.

Mr. JENKINS of Ohio. I thought you wanted to know which ones I voted

against, and I proceeded to tell you. I am afraid you took on the wrong man. You might have picked on somebody that you could make some headway with, but you picked on the wrong man this time. [Laughter and applause.]

Mr. WILSON. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. WILSON. I think the RECORD should also include the fact that the gentleman from Virginia [Mr. ROBERTSON] referred to the \$2,000,000,000 that the Republicans offered to appropriate as soft-spoken words. Since when did \$2,000,000,000 become soft-spoken words? Has that just been since 1932?

Mr. JENKINS of Ohio. That is right. It used to scare most anybody to death.

Mr. LAMBERTSON. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. LAMBERTSON. Speaking of spending, we are just starting to play Santa Claus for the whole world.

Mr. JENKINS of Ohio. That is right. And that is more serious than most people think.

Mr. CLEVINGER. Will the gentleman yield?

Mr. JENKINS of Ohio. I yield.

Mr. CLEVINGER. A moment ago one of the new Congressmen from the rural section asked me how much money \$65,000,000,000 was. I just want to ask the distinguished gentleman from Ohio if it is not about twice the value of all the farm lands and buildings in the census returns for 1940?

Mr. JENKINS of Ohio. Yes; \$65,000,000,000 is so much you can hardly comprehend it. We are going to increase this debt \$16,000,000,000 in this bill. I cannot give you the exact figures, but I will venture that the 16 smallest States of this Union will not when taken appraise up to \$16,000,000,000. The State of Ohio will just about do it. The State of Pennsylvania will probably appraise a little more than \$16,000,000,000. So this debt of sixty-five billion is almost beyond comprehension. But I want to pass on. I want to speak about the issuance of these bonds. This is very important, and I should like to have time to go into it carefully.

Mr. DOUGHTON. Will the gentleman yield?

Mr. JENKINS of Ohio. Yes; I must yield to the distinguished chairman of my committee.

Mr. DOUGHTON. I know the gentleman wants to be fair and correct. He is a conscientious man, but I will stake my reputation upon the fact that the increase, instead of being \$16,000,000,000, is only \$11,700,000,000.

Mr. JENKINS of Ohio. I understand what the gentleman means. Of course, the difference between forty-nine billion and sixty-five billion is sixteen billion. That is the difference. That is common subtraction.

Mr. DOUGHTON. But we are repealing \$4,300,000,000 that is now carried in addition to the \$49,000,000,000.

Mr. JENKINS of Ohio. Yes; but, my dear friend, the 4 billion only makes 49. The difference between 49 and 65 is 16.

Mr. DISNEY. Mr. Chairman, will the gentleman yield there?

Mr. JENKINS of Ohio. I do not want to get into any further argument about the matter.

Mr. DISNEY. Would the gentleman care to have the exact figures?

Mr. JENKINS of Ohio. I do not want to get into an argument, because I have not time. We raised the debt limit last year from \$45,000,000,000 to \$49,000,000,000. The difference between 49 and 65 is 16. It is a simple matter of mathematics.

Mr. DOUGHTON. But that raise from 49 to 53 has been wiped out. We start at \$53,000,000,000. I stake my word on that.

Mr. JENKINS of Ohio. But all that \$4,000,000,000 that we raised the debt limit last year has not been spent.

Mr. DOUGHTON. One billion six hundred million dollars.

Mr. JENKINS of Ohio. The rest is available for use.

Mr. DISNEY. Again I ask the gentleman if he would like to have the exact figures on that.

Mr. JENKINS of Ohio. I believe the exact figures are set forth in the report.

Mr. DISNEY. No; they are not.

Mr. JENKINS of Ohio. Then the gentleman can make a speech in his own time and put in the exact figures.

Mr. DISNEY. I thought perhaps the gentleman was interested in having it appear correctly in his own statement.

Mr. JENKINS of Ohio. I am giving them correctly so far as I am concerned. I am using round figures, as the gentleman knows.

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, I ask unanimous consent to proceed for 1 additional minute.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. JENKINS of Ohio. Members of this House for years have discussed the proposition of providing that the income from Government bonds should be taxed. Many bills have been introduced by Members of both parties. The matter has been a live subject for the last 40 years or more. Banks and millions of people are personally interested. We are in this bill deciding this important question. In this bill we are starting a silent, quiet procedure that will soon answer that whole question. We say in this bill that henceforth every Government bond of every kind and character whatsoever issued in the future shall be subject to taxation. What does this mean? This means also that actually as the securities mature those bonds will be paid off, and in the course of a few years we shall have transferred all of them to the new status, and they will all be subject to taxation. The Democrats claim that this is necessary because we have put our Government so far in the red that we have got to take everybody by the nape of the neck and shake out of him every dollar we can get to pay the expenses of the Government. In this connection I want to say I have asked permission to insert in the RECORD articles written by two distinguished Senators. To those who want to know all the arguments on both sides of the

issue I commend these articles. They are brief and to the point. I wish I had more time to discuss these most important matters. [Applause.]

STOP TAX-EXEMPT SECURITIES?

(Not a new question for most countries is this one. It has been revived in the United States because Uncle Sam, faced by defense and other mounting costs, has need for more ready cash.)

YES—HOLDS SENATOR PRENTISS M. BROWN

There are approximately \$65,000,000,000 of governmental bonds outstanding in the United States that are either wholly or partially exempt from Federal and State income taxes. If these securities were subject to the Federal income tax and estate tax, they would probably return about \$300,000,000 a year in taxes. This is a very substantial sum and would be a material aid in bringing the Federal income closer to the Federal expenditures.

Of these bonds approximately \$35,000,000,000 are wholly tax-exempt; the remainder are partially tax-exempt. The \$65,000,000,000 total is made up in round figures of slightly less than \$20,000,000,000 of bonds issued by State, municipal, schools, and similar governmental agencies; the rest is Federal. The State and local bonds are wholly tax-exempt. About \$15,000,000,000 of Federal bonds are wholly tax-exempt; the remainder is subject to varying degrees of limited income taxation.

During the period of the Civil War, when there was great financial stress in the Government, and for many years thereafter, the Federal Government taxed the income from municipal bonds. It was not until 1895, when the final decision, in what is known as the Pollack case, was rendered by the Supreme Court of the United States, that it was determined that the income from a municipal bond could not be taxed by the Federal Government. Since that time, mainly because of that case, there has been hesitation on the part of the Congress in applying the income tax to municipal and other State and local bonds. Many legal experts disagree with the decision and think reexamination of the issue would result in a reversal. There has never been any doubt about the power of the Federal Government to subject its own issues to income taxation, but because other governmental bonds were exempt the Federal Government has not subjected its own issues to full taxation, and it may be fairly said that as a class Federal bonds enjoy very substantial tax exemption.

This is not the place for a legal discussion, but it is necessary to devote a brief statement to it. Growing out of the Pollack case there was great public demand for an amendment to the United States Constitution which would permit Federal income taxation, the Pollack case having struck down not only income taxation of municipal bonds, but also all income taxation. As a result of this agitation, the sixteenth amendment to the Constitution was adopted in 1911. The amendment reads:

"The Congress shall have power to lay and collect taxes on incomes from whatsoever source derived without apportionment among the several States and without regard to any census or enumeration."

The tax on municipal bonds which was collected under Civil War Acts and under the 1894 Act, which gave rise to the Pollack case, was authorized under a clause in the law which taxed income from "any other source whatsoever." Great controversy has raged around the meaning of that part of the sixteenth amendment to the Constitution which reads "from whatsoever source derived" and "without apportionment."

Thousands of pages of briefs and hundreds of pages of the CONGRESSIONAL RECORD have

been consumed in a discussion of these phrases. The special committee of the Senate, of which the author has the honor to be chairman, after a thorough examination of the authorities and hearing from the legal experts of the Department of Justice and from the representatives of the attorneys general of the States of the country, concluded by a 3 to 2 majority that the sixteenth amendment meant just what it says; that Congress should have the power to tax income from whatsoever source derived. This view, if adopted, would overcome the rule in the Pollack case. There has been strong support for such an income tax upon all future issues of Federal and State securities, and at various times both the Senate and the House have passed measures tending in that direction, but never have the two Houses done so at the same session.

The above is set forth because it is felt that some understanding should be given as to why such an obvious tax has not been levied. It is because of some fear as to the constitutionality of such a tax.

The last four Presidents of the United States and a majority of the latest Secretaries of the Treasury, including Secretaries Morgenthau, Mellon, and Mills, have urged complete income taxation of Federal and State bonds. Outside of the State attorneys general, I think it fair to state that the great weight of expert opinion is in favor of such taxation. Surveys of public opinion indicate an overwhelming majority of the people favor it. Newspaper opinion as revealed in some 700 editorials show over 600 favoring such taxation. Of those opposed, approximately one-half did so on constitutional grounds. The Democratic Party adopted at its 1940 Convention a plank favoring such taxation. The report prepared by the late Glenn Frank at the request of the Republican National Committee urged the immediate elimination of all tax-exempt bonds.

Now, as to the merits of the proposition. There are three main arguments:

1. The Government is losing substantial revenue. Any law which may be enacted would not immediately bring a great increase in taxation, because no one seriously proposes to tax anything but future bond issues. However, over the years, the addition to the Federal Treasury will be substantial. A general average of estimates is probably \$300,000,000 per annum when the full effect is achieved. In the earlier years the return would not be consequential. It would increase rapidly, however, and could well be used to pay long-term obligations when they become due.

2. Until we eliminate tax exemption, we will not approximate tax justice. Because of our many consumption taxes and other taxes which cannot here be enumerated, the progressive principle of taxation, which is almost universally conceded to be the just basis for contributions from the citizen to his Government, applies to only about 12 percent of the total governmental revenue of the United States. In other words, approximately 88 percent of the taxes totally ignore the progressive principle. Exemption of governmental bonds is a material factor in the creation and continuance of this situation.

Pages could be filled with examples. I give but a few. Tax-exempt bonds create a situation in which the wealthy man is greatly favored over the man of moderate means and the poor man. Based on the year 1939, a man with an income of \$100,000 a year got the same net yield from a 3 percent municipal bond considering taxation, as he could obtain from an industrial bond yielding 7.32 percent. An individual with a million-dollar net income, who has the good fortune to hold a 4 percent tax-exempt State or local bond, gets the equivalent, considering taxation, of a yield of 16½ percent from a taxable industrial bond.

This means that the man of moderate income obtains no tax advantages whatsoever

from the ownership of a 3 percent or 4 percent municipal bond. It is worth no more to him than a similar industrial bond, while as has been shown above, to a man of exceedingly large income, the municipal bond is of great value because of its tax-exempt privilege.

To show the extent to which wealthy people have purchased wholly tax-exempt bonds, I give some figures from the estate tax returns from the last available year, 1938. In estates of from \$100,000 to \$200,000, 3½ percent of net estate is in the form of wholly tax-exempt bonds. In estates between \$500,000 and \$1,000,000, 10½ percent of net estate is in the form of tax-exempt bonds. In estates of \$5,000,000 and over, 44.6 percent, or close to one-half, is in the form of totally tax-exempt bonds. It can be seen from this that the tax-exemption privilege is extensively used.

On the floor of the Senate last September the writer stated he did not in any way blame the person of large income and property for taking advantage of the privilege granted him by the Government. It is lawful and proper for him to do so, but it is not fair to the taxpayers of the country for the Congress to permit a situation to exist which enable those best able to bear the burden of government to largely escape taxation.

3. The third major argument for the elimination of tax-exempt bonds may be briefly stated as follows: When a haven of refuge for wealthy taxpayers is provided, it is but natural that they would go into it. Any of us would do the same thing. The result is that capital in large amounts which would otherwise go into productive enterprise finds its way into tax-exempt securities. Elimination of exemption would stimulate business.

To summarize:

1. The elimination of the tax-exempt privilege would add over the years substantially to the Government income.

2. The elimination of the tax-exempt privilege will tend toward tax justice. It is, of course, obvious that the tax-exempt privilege and consequent use of it by those in the upper income brackets shift the burden of Government finance—Federal, State, and local—upon the middle and lower income taxpayers and the great mass of people who pay by various consumption taxes.

3. The elimination of the tax-exempt privilege will tend to free capital for general business development and relieve the Government to a considerable extent from its present obligation to supply such capital.

These considerations have so appealed to the Special Committee of the United States Senate which investigated the subject that it has made the following recommendation to the Congress of the United States:

"The majority of the committee believes that the income of all future bond issues of the United States Government or any of its agencies, corporate or otherwise, should be subject to both Federal and State income-tax laws. The majority also believes that the income from future issues of State and municipal bonds, including therein all issues of the various local subdivisions, should be subject to the income-tax laws of the Federal Government. There should be, in our opinion, no more tax-exempt bonds."

Undoubtedly this is one of the major problems before the Congress which convened January 3.

NO! SAYS SENATOR WARREN R. AUSTIN

I am, without equivocation, opposed to abolishing tax-exempt securities. My opposition is not based on any light caprice or on any inherited or political theses. It is based on the one fact that to abolish the tax-exempt security is to take a long step in the direction of national socialism.

The Government of the United States is a peculiar one, for in the same geographic limits two sovereign powers exist, the State and the

Federal Government. The theory of tax exemption of the bonds or similar obligations of these bodies is that the issues of the Federal Government have been exempt from Federal taxes, and likewise from State taxation, and the issues of the States and the political subdivisions thereof have been free of State and Federal taxation.

The recent issue of taxable Federal notes raises the question, "Will it be possible to have two types of security, the Federal bonds taxable, the State issues tax exempt, competing for the investor's dollar? Will not the force of the Federal Government, admittedly many times greater than that of the individual States, be directed at the destruction of these sovereign powers now exercised by the States?"

It was on the definition of these sovereign powers of Federal and State Governments that Chief Justice John Marshall laid down the principle of the immunity from taxation of security issues as a reciprocal right and declared "that the power to tax involves the power to destroy; that the power to destroy may defeat and render useless the power to create * * * are propositions not to be denied."

But let us turn from that basic principle for a moment and look at the so-called "practical" arguments in favor of abolishing tax exemption. They are only two: First, it would aid the Government in carrying on its national-defense program by creating increased revenue from tax collections. Second, it would destroy the opportunity for evasion of taxes by the rich.

If these contentions were true, and if I were blind to the fundamental defects of the proposal, I could easily find myself, as a realist, persuaded to favor the idea. Anything that will increase the revenues of the Government without calling for an increase in taxes is to be carefully cherished.

But, alas, I can find no evidence to support these claims.

Would issuing taxable securities add to revenue of the Federal, State, or municipal governments putting them on the market? The purpose is alluring, but a moment with a pencil gives the answer. It is "No." The United States Treasury has customarily borrowed money at approximately 2 percent on long-term bonds or under 1 percent on short-term notes. But on the recent issue of taxable notes² the interest rate was admittedly upped one-quarter of 1 percent, meaning an annual increase in interest charges of one and one-quarter million dollars.

Thus, to be able to collect through income taxes on the holders' profits of two and one-half million dollars the Federal Government has already pledged itself to pay out half that much additional in increased interest. Income taxes, though they may go up, surely will not amount to 50 percent of income, hence, cannot get back the other one and one-fourth million dollars, and hence Uncle Sam will have taken a loss on the chimerical deal.

Now, the second point: Would abolishing tax-exempt securities stop tax evasion by the rich? Once again the answer must be "No," for relatively few of these tax-exempt securities are to be found in the estates of the rich.

This is not guesswork. The executive director of the United States conference of mayors, Paul V. Betters, tabulated the actual conditions from the returns on estates. Here is his report:

² The first taxable U. S. Treasury notes were issued December 1940—\$531,000,000. They were oversubscribed 8 times. The previous tax-exempt issue was in June 1940—\$718,000,000—and was oversubscribed 12 times. In the current market the tax-free notes yield 0.45 percent and the taxable notes 0.64 percent.

"It is simply not a fact that the wealthy are loading their estates with tax-exempt bonds in order to escape their just share of income taxes. An examination of all [the italics are mine] estate tax returns filed with the Treasury Department in the calendar years 1927-37, inclusive, reveals somewhat startling figures. These are not selected estates nor a sampling, but are all the estates reported for tax purposes during those 11 years.

"During the period noted above there were 3,044 estates having a net worth of \$1,000,000 or more. There were 105,499 estates of less than one million net. Of the estates above \$1,000,000, totaling over ten and one-half billion dollars, the following were the percentages of investment:

Wholly exempt Federal bonds.....	3.69
Partially exempt Federal bonds.....	1.12
State and local bonds.....	9.81
Taxable corporate bonds.....	4.80
Corporation capital stocks.....	55.23

"For the estates less than \$1,000,000, totaling \$22,000,000,000, the following were the ratios:

Wholly exempt Federal bonds.....	1.05
Partially exempt Federal bonds.....	2.46
State and local bonds.....	3.61
Taxable corporate bonds.....	8.46
Corporation capital stocks.....	36.14

"As study of the composition of the estates of rich decedents shows, our wealthy men still keep the major part of their wealth in junior issues."

Tax-exempt bonds never gave anyone control over an enterprise. And the power and opportunities for capital gain that inhere in capital stocks are not to be surrendered lightly—even for a substantial tax saving—by the man who can afford to own them.

If the rich man is not buying these tax-exempt securities, who is? For the most part they are to be found in the portfolios of colleges, hospitals, foundations, and other institutions. Many of these are exempt from tax, anyway, because of their eleemosynary character. The conclusion must be that we should gain nothing financially, but actually lose, should we destroy the tax-exempt security.

Thus the only arguments for the abolition of tax exemption on securities demolish themselves. They will not increase net revenues; they will increase, instead, expenses; increase taxes on the entries in the tax books.

Since many of these securities are held in life-insurance reserves, these will be reduced and the cost of this protection for your dependents' future will be increased. And the "take" from large estates, large incomes, will not be increased by so much as it will cost to increase the collection costs.

This is not guesswork; we have the evidence. Look at the small proportion of tax-exempt securities held in large estates. Look at the increase of 50 percent in the interest rate on the experimental taxable Federal notes—to compensate for the loss of one financial advantage.

Regardless of who owns these tax-exempt securities, there is no doubt of who has to pay for them. It is the obligation of the future taxpayer. And the service on the debt must be paid by the present taxpayer. It has been estimated that you will have to pay six-tenths of 1 percent more to borrow money for your governmental purposes. And that means all of us will pay more—for less.

So, as a realist, I am forced to the conclusion that to make the tax-exempt securities taxable in the future would be an economic blunder of the first magnitude. But let me remind you of the fundamental fallacy of the proposal—something which to those who live in a democracy is the greatest argument of all.

Should we destroy the immunity of taxation of either one of our dual governments

in favor of the other, we put the axe to the roots of the form of government under which we live and prosper. We slip one notch nearer the sea of national socialism in which so many peoples are tossing today.

Such a program would set us on the road which has only one end: A completely centralized government and a form of economy which, for lack of a simpler word, is most easily described as "collectivism."

"The power to tax," again I quote the wise, considered decision of Chief Justice Marshall, "involves the power to destroy." Grant the power by an amendment of the Constitution to tax to either of the dual government that exists side by side within the geographic limits of the United States and you cannot restrain the right to destroy. Retain the immunity, and then the Supreme Court of the United States could continue to hold, as expressed by Mr. Justice Frankfurter as lately as March 27, 1939: "Since two governments have authority within the same territory, neither through its power to tax can be allowed to cripple the operations of the other."

Thus, under the promise of a financial gain, which has no reality, we would give up the substance of our safe and sane democracy; and for the simulacrum of collecting more taxes without expense will saddle ourselves and our children with increased tax burdens.

Do you wonder that I vote, without equivocation or evasion, "No!"?

Mr. DOUGHTON. Mr. Chairman, I yield 12 minutes to the gentleman from Indiana [Mr. BOEHNE].

Mr. BOEHNE. Mr. Chairman, my remarks will be devoted exclusively to section 4 A and B of this bill. Even though this is a very short section, nevertheless, it abrogates a doctrine that has been considered rather holy for many Congresses.

This section would in effect make interest upon, and gain from, the sale or other disposition of all obligations issued in the future by the United States or its agencies or instrumentalities, subject to taxation by the Federal Government to the same extent as like obligations of private issuers.

The phrase, "the United States or any agency or instrumentality thereof" is used in the broadest possible sense so as to effectively eliminate for the future whatever exemptions from Federal taxation may have been accorded to any obligations by any act of Congress. This section does not affect in any way the taxable status of obligations of States, municipalities, and other local governmental agencies. This is a matter which no doubt will come in for more serious study, and I hope for presentation to this present Congress.

I believe the record will show that every President of the United States since Woodrow Wilson has recommended the removal of the tax-exemption feature of Federal obligations. In his message on April 25, 1938, President Roosevelt made a statement that seemed to be an echo of what former Presidents and former Secretaries of the Treasury have made. He said, in part:

The tax exemptions through the ownership of Government securities of any kind, Federal, State, and local have operated against the fair or effective collection of progressive surtaxes. Indeed, I think it is fair to say that these exemptions have vio-

³ *Graves et al. v. New York ex rel. O'Keefe.*

lated the spirit of the tax law itself by actually giving a greater advantage to those with large incomes than to those with small incomes.

In the same message to the Congress, he said:

I, therefore, recommend to the Congress that effective action be promptly taken to terminate these tax exemptions for the future.

I think it is well that a review be made as to how high surtaxes and tax-exempt securities have found their way into our fiscal system. Each was introduced without any thought of the possible complications that might arise from the presence of the other. Sometimes I believe that our highest surtax brackets are too high, not that the tax burden of the men of means should be materially lessened. I have always believed in the theory that taxes should be levied on the basis of ability to pay. However, I also believe that with the exceptionally high surtaxes, capital is being diverted from productive use and as a result the actual flow of revenue to the Federal Government is lessened. This, however, is not a subject matter of debate in this bill, because we are not legislating along that line, but it is well that the connection between these two phases of taxation be in our minds in our argument for the removal of the tax exemption.

The considerations which lead to the grant of tax exemption to Federal securities were almost entirely fiscal. The Treasury Department has for years, I believe, felt that it would be a good business policy to subject Federal issues to Federal taxation, and I feel certain this Congress will not hesitate to grant the necessary authority to do this. As I see the picture, there is no principle involved. Before the adoption of the sixteenth amendment, and its application through a series of highly progressive income taxes, the exemption of State securities from Federal taxation was of small importance. So long as the rates of taxation were uniform, the value of an exemption depended upon the rate of taxation, and bonds were presumably sold at a rate which discounted that value. The result was to grant a certain amount of subsidy from the taxing body to the bond-issuing body, but there was no disturbance, and no material interference with the efficacy of the tax. As soon as we began to apply very high rates to the incomes of certain individuals, and low rates to the income of others, we created a situation in which the tax exemption was worth much more to one investor than it was to another. The market no longer could adjust itself as to reflect at the same time the value of the exemption to all classes of bond buyers, and, consequently, some taxpayers gained disproportionately by purchasing tax exempts. At the time the high surtax rates were embodied in the Revenue Act of 1917 there was no perception of the difficulties which might arise from the exemption of income from certain classes of securities.

Of course, during the course of the first World War public attention was focused on more important issues than

the issue of taxation, and, coupled with the lack of perception of the difficulties between high surtaxes and tax-exempt securities, nothing was done. However, after the war, the inequality was noticed, and it is to be regretted that 20 years had to elapse before congressional action was to become effective.

If arguments are needed to prove the case against tax exemption, I would suggest the following in that order of importance:

First. The tax-exempt bond causes a serious fiscal loss to the Government, thereby increasing the burden which must be borne by the taxable income. Of course, the amount involved might be a figure which could be disputed. In the hearings on this bill Mr. Daniel W. Bell, Under Secretary of the Treasury, testified that this loss would amount to between ninety and one hundred million dollars annually. It can safely be assumed, therefore, that by the removal of the tax-exemption feature, the Treasury would be enriched approximately \$95,000,000.

Second. The competition of tax-exempt securities creates a scarcity of capital, handicaps private industry, and actually, I believe, has a depressing effect on business. I mentioned this fact before with reference to the combination of tax exemption and extremely high surtaxes, in that capital was being diverted from profitable investment, which in turn would employ labor.

Third. Tax exemption brings about an undesirable distribution of investments. In support of that statement I bring you the words of a former distinguished Member of the House and later a distinguished Secretary of the Treasury, the late Hon. Ogden Mills. He said:

Today you will find a very strange tendency at work. The large investor is today buying the safe securities, and you will find the small investor buying securities that he ought not to touch, in many cases of the more speculative character.

Fourth. As I stated before, tax exemption violates the ability principle of taxation and is inconsistent with the progressive features of the income tax. If wealthy men buy tax-free securities, they contribute to the support of the Government—through a lowered yield of the securities issued by the Government—at about the same rate as do the less fortunate men who buy the same kind of bonds. Even if the question would not be whether tax-exempted securities were logically inconsistent with the principle of progression, we would still have to determine whether in practice they interfere seriously with the attainment of the purposes for which progression is intended.

Doubtless, many other arguments could be presented, but in the main these are the most important. Of course, I know that there are provisions in H. R. 2959 that are distasteful. Naturally, I have reference to raising the debt limit of the United States Government to the unprecedented figure of \$65,000,000,000. It is distasteful to me. I am one of those who believe that we must not only pass another reve-

nue bill this year but we must make it sufficiently high and all inclusive to take care of, if we can, the ordinary expenses of government. This can be done if we have the will to do it. This can be accomplished if not only the proper appropriating committees but every Member of this body will do his part to curtail the expenses of the Government as far as is possible and consistent with the proper functioning of every department of government. The tremendous increase in the debt limit has been brought about—at least I want to believe it has—by the defense effort that is now being made by this Government. Having supported every effort along that line, I could not with good conscience refuse to give to the Treasury Department that which it believes it needs.

But whatever that picture might reveal to every Member of the House, let us not forget the important step that is being taken today, by including in this piece of legislation the removal of the tax exemption on Federal securities. [Applause.]

Mr. CROWTHER. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. McLEAN].

Mr. McLEAN. Mr. Chairman, I received a great compliment a few minutes ago from the gentleman from Virginia [Mr. ROBERTSON] and, if I may, I would take this opportunity for an expression of my appreciation. It is another illustration that our political differences have no effect on our personal relations. "We strive mightily, but eat and drink as friends," I reciprocate my own regard for the gentleman from Virginia. He personifies the integrity, sound judgment, and courtly manners traditional of his native State. He is entitled to and enjoys the esteem of us all.

The gentleman from Virginia, as might be expected from one of his party, takes occasion to chastise some of us who differ with him on our stand on the neutrality bill, the reciprocal trade-agreement bill, and the lease-lend bill. It was error to include me amongst those who opposed the Neutrality Act, because I supported it. I did so because I believed in its purposes, and the legislation was properly drafted. Although it conferred wide powers upon the President, it established a standard by which those powers should be exercised.

I opposed the lease-lend bill because it did not establish such a standard. It conferred upon the President unlimited powers, notably that of legislation through the medium of rules and regulations of his own divining.

If you would know the effect of the lease-lend bill read the debate on the joint resolution of Congress signed by President McKinley in 1898. Then you will know where such legislation can lead us. It was the forerunner of the war with Spain. But we need have no worry about our vote on Saturday because nobody will recognize the lease-lend bill when it comes back from the Senate. You will still have to vote on the main issue.

I opposed the Reciprocal Trade Agreement Act because it conferred upon the President the power to make agreements

with foreign nations without regard for the restraints and limitations of the Constitution providing that treaties with foreign nations should be made by and with the advice and consent of the Senate.

Two classes of legislation have been enacted by Congress during the administration now in power. Occasionally we receive frank statements of the purposes of bills presented, and they are in conformity with legal practices and the precedents, and within our constitutional limitations; but most of the measures that have come before us have been difficult to understand. They contained but very little explicit language or direction as to how the particular purposes to which they applied should be carried out, but they did confer upon the President exemplary powers and a purpose to concentrate all of our governmental functions—legislative, executive, and judicial—in the Chief Executive.

The measure we have before us today is no exception to that rule. It is one of a series of bills to get the full meaning of which one must go back to the revenue acts passed in 1940. The act of June 1940 increased the debt limit to \$49,000,000,000, and provided for increased taxes. The act of August 1940 was calculated to prevent profiteering in war contracts at the same time raising revenue was not overlooked. Both of these measures were emphasized as measures to provide revenue for the national-defense program. Now comes the pending measure and we are told that the particular reason that it should be passed at this time is because there are Government obligations to be met on the 15th of March of \$1,250,000,000, and that unless it is passed the Government will be unable to meet its maturing obligations on that date. That could have been arranged last June—certainly in August—when other measures were pending.

The Secretary of the Treasury appeared before the Ways and Means Committee no longer ago than last June, and at that time represented that a \$4,000,000,000 increase in the debt limit would be sufficient for all ordinary purposes. It now appears it was all he thought he could get at that time. He must have known then that there was \$1,250,000,000 of Government obligations coming due in March of this year, and that a greater increase in the debt limit was necessary, and I charge that he did know. But he also knew that not far distant was a national election and it would be unwise to stress the condition of the Treasury—that the borrowing capacity was about exhausted and the cash balance seriously depleted.

He also knew that these were the results of the extravagances of the preceding 8 years. He had advised the Committee on Appropriations several months before that the condition of the Treasury was such that it was necessary to increase the debt limit to enable the Treasury to borrow necessary funds for ordinary needs.

It was not intended to impose any new taxes during the summer of 1940. It was planned to make ordinary receipts and available borrowing capacity provide for all purposes until the next session of

Congress in January. That would carry over until after election the increase of the debt limit and the revision of the tax structure, but on May 16 the President personally appeared before the Congress and set forth the emergency program for national defense. He appealed for immediate emergency appropriations. It was a popular appeal. This gave the Treasury a way out, and steps were immediately taken resulting in the enactment of the Revenue Act of 1940.

It was emphasized that the Revenue Act of 1940 was to provide for the extraordinary expenses of national defense. The debt limit was increased to authorize the issue of national-defense securities. The securities issued and the revenue collected were to be earmarked for national defense. The plan was to finance the national-defense program on a pay-as-you-go basis. The idea was sound and met with approval.

Now, it is proposed to break down the partition between the borrowing capacity authorized to cover ordinary needs and that which was authorized for national-defense purposes. As I have said, when the revenue bill of last June was before us we were told it was for the purpose of providing for the extraordinary expenses of national defense; that all of the money raised by the taxes imposed at that time would go to meet the obligations of the national-defense securities issued under that authorization. It gradually came out that only a portion of those taxes were intended to go to the payment of national-defense securities. The Secretary of the Treasury himself stated that those taxes were mostly for national defense. The word "mostly" was spoken softly. The emphasis was on national defense. Now, we propose on recommendation of the Secretary of the Treasury to break down the partition which would protect some of our income for the national-defense program and which will result in throwing all income, national-defense income as well as ordinary income, into one pot, so that the money can all be used to meet the obligations of the Federal Government. The program of earmarking is to be abandoned for one of hotchpot.

We seem to be proceeding in an atmosphere of deception. When asked the other day why it was that in June he only asked for an increase of \$4,000,000,000 in the debt limit, the Secretary of the Treasury answered through one of his assistants, "Well, that was all we thought we could get at that time."

The country is led to believe that all of this refinancing, all of these additional taxes, are necessary as the result of the national-defense program. The truth is that the borrowing capacity of the Government was exhausted, the Treasury was depleted before we were confronted with the national-defense program, and additional taxes and increased borrowing capacity were needed to meet the ordinary expenditures of the Government. We now propose to increase the borrowing capacity to \$65,000,000,000. This will not be sufficient if we start a constant stream of munitions of war to England the moment the lend-lease bill is enacted into law. We will be called upon then to

increase our debt limit again and we will be called upon to provide additional taxes. This bill is only a makeshift to enable the Treasury to refund its obligations due in March.

We are told that a revision of the tax laws, which will anticipate increasing taxes and otherwise altering the revenue laws, will be considered later on, and there is strong indication that changes in the excess profits tax law will be recommended. We are only waiting for the great American payday of March 15 before these matters will be given attention. By that time it will be known what revenue can be expected from income taxes. So we need have little concern over the effect of the pending measure. It will probably be all altered and changed soon after March 15. Then will come the real job.

[Here the gavel fell.]

MR. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Texas [Mr. PATMAN].

GOVERNMENT SHOULD NOT PAY TRIBUTE TO FEW FOR USE OF ITS OWN CREDIT

MR. PATMAN. Mr. Chairman, if it is necessary to raise this money through the issuance of bonds, and if we do not change our present system it will be necessary, I shall be very glad to support this bill. We should pay our debts. If we promise to pay with interest we should pay. I do not dispute the claim that if we borrowed money from a foreign country, as we were compelled to do as a young nation, it was right and logical and reasonable to pay that foreign country interest; but it was never intended, Mr. Chairman, and I say this with all the earnestness and sincerity that I possess, that our great National Government should pay interest or tribute to a few for the purpose of using the Government's own credit.

INTEREST BEARING VERSUS NONINTEREST BEARING

Let me reduce that to a concrete illustration so that no one can fail to understand what I mean. The Bureau of Engraving and Printing here at Washington is under the jurisdiction and control of the Secretary of the Treasury. The Secretary of the Treasury has printed at his discretion what are known as Federal Reserve notes. The Federal Reserve note is the money that you use every day. It is known as a greenback. It is an obligation of the Government to pay the amount stated on that greenback.

The Secretary of the Treasury also has printed what are known as United States Government obligations, bonds or securities, which provide on their face for a rate of interest to be paid by our Government, and at the end they have coupons to be clipped every 6 months or every year to be turned in to the banks and payment to be made.

We will take as an example \$1,000,000 worth of each, \$1,000,000 worth of Federal Reserve notes printed at the Bureau of Engraving and Printing and sent to the Treasury Building down here in Washington at Fifteenth and Pennsylvania Avenue, and \$1,000,000 worth of United States Government bonds such as

I have described, based upon the same security as the Federal Reserve notes, which are printed and sent down to the United States Treasury Building at Fifteenth and Pennsylvania Avenue—the same place. There are two millions. One is a noninterest-bearing security, the other is an interest-bearing security. Let us trace this \$2,000,000.

The \$1,000,000 in Government bonds, which bear interest, are sold to a Washington bank, we will say at Eighth and Pennsylvania Avenue here in Washington. The \$1,000,000 worth of Government bonds are delivered to that bank. The money is created by the bank to buy the bonds. Then Mr. Morgenthau, at the request of the Federal Reserve Board, sends \$1,000,000 worth of Federal Reserve notes over to the Federal Reserve Board here in Washington, D. C., on Twentieth and Constitution Avenue. How much does Mr. Morgenthau get for these notes? He receives on an average of 30 cents per \$1,000. They are obligations of the United States the same as the bonds. The Federal Reserve Board over at Twentieth and Constitution buys the \$1,000,000 in bonds at the bank down at Eighth and Pennsylvania with the \$1,000,000 in Federal Reserve notes that have cost them 30 cents per \$1,000. The net result is that the Federal Reserve Board, the head of a private banking system—not one dime of Federal Reserve banking stock is owned by anyone except the private banks—has used our credit absolutely free and bought some interest-bearing obligations and placed them in their lock boxes at Twentieth and Constitution Avenue.

These bonds, we will say, provide 2½-percent interest, so every year the United States Treasury will pay \$25,000 to the Federal Reserve Board down at Twentieth and Constitution as interest on the bonds. What service do they render for it? Absolutely no service; no service at all. Can anybody answer that? Can you say that is fair? Can you say that it is reasonable, that it is right? If you owed \$3,000 on your house and you gave a friend \$3,000 to pay off that mortgage, and he took the money and paid it on the mortgage but kept the mortgage and continued to charge you 6-percent interest, or whatever it was, on that mortgage, although you had paid it, would you be willing to pay that interest? Of course you would not. Why should you ask your Government to continue to pay interest on these bonds that have already been purchased by non-interest-bearing obligations? The commercial banks now hold \$20,000,000,000 in Government securities that were purchased with created money—created by their own bookkeeping operations. In addition, the Federal Reserve System have purchased \$2,500,000,000 in the same way. We continue to pay interest on the bonds, although the bonds were purchased with another Government obligation. The Government furnishes the money free to buy the interest-bearing obligations and then continues to pay interest for 20 years, or until maturity, on the bonds so purchased. Does it make sense? It does not.

If I am wrong about that, Thomas Jefferson was wrong, Thomas A. Edison was wrong, Abraham Lincoln was wrong, and Andrew Jackson was wrong. It was never intended that our Government should pay interest upon its obligations.

ONE HUNDRED AND THIRTY BILLION DOLLARS WILL BE REQUIRED TO PAY THE \$65,000,000,000

This bill does not mean just \$65,000,000,000. Of course, if we promise to pay we should pay. It means \$130,000,000,000. With long-term bonds, it takes twice as much money to pay them as the principal, because you pay as much in interest as you pay in principal. Therefore, this bill is a \$130,000,000,000 bill. If it is necessary, well and good, but if it is not necessary, let us save the people that money. Let us now commence a policy which will lead to the eventual retirement of the national debt, and save this tribute that we are paying to a few for the use of our own credit. We can do it. I went before the committee and I hope you will read my testimony that appeared in last Saturday's RECORD—February 8, 1941—in support of the contention that the Federal Reserve Board can issue this credit directly as it is needed without cost to the Government. There will be no more inflation or expansion that way than if you issued Government interest-bearing bonds and sold them.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Not now.

Mr. GIFFORD. I would like to help the gentleman.

Mr. PATMAN. I have only a very short time. If the gentleman will get those in charge of the time over there on his side to yield me a little time, I will yield him just as long as they give me time.

Mr. GIFFORD. I read the gentleman's speech very carefully.

Mr. PATMAN. I just do not have time, I am sorry. If the gentleman will get me a little time, I will yield just as long as the time lasts.

Mr. GIFFORD. I will get some time myself.

Mr. PATMAN. The Federal Reserve Board can issue this credit and no one claims it is inflationary. Ordinarily the opponents of any change just put one off by saying, "Oh, that is printing-press money, that is fiat money, that is greenbacks, that is rubber dollars, that is baloney dollars," or something like that. The ordinary person who is timid will just shrink from it. He will say, "That is sufficient. I am not going to get into that question. That is controversial. I am going to let that question lie." But I have never known a person yet to study this question through and not be convinced of exactly what I am saying, that it is not right to let private corporations use our Government credit absolutely free for the purpose of issuing money and charging our own Government, as well as others, for the use of that money.

I believe I shall discuss the bill a little, because my time is slipping away from me.

Some protection should be given to those who will buy the baby bonds that are to be issued under this bill. After the World War people who had purchased bonds had a great loss. They had gone into debt to buy them from the local banks, and were compelled to sell them for as low as 85 and 80 cents on the dollar. They had no support, no protection. Under existing law, the banks have \$20,000,000,000 in Government bonds created out of thin air, with just a bookkeeping transaction. No one can deny that. They absolutely created money to buy them. However, they can get new money on them, based upon face value, any time they want it. They have a floor on the price of those bonds. So why should we not protect these little purchasers the same way, and fix it so that they will be protected and will not have the losses they had after the war of 1917 and 1918?

Now I come down to what I consider one of the most important parts of this bill, not because it means so much in dollars and cents now as for the precedent it is intended to set. That is taxing Government securities, nontaxable bonds. It sounds good. It is one of the finest phrases you can use. If a full program were presented to tax all nontaxable bonds, with a provision that certain cities where the owners reside could not make the rest of the country pay their taxes, I would probably vote for it if it was presented in such a form as to be in the public interest. You will always get a good hand on "tax those governments; let us remove this preferred class." But who is the preferred class of Government bondholders? Have you had a letter or a postal card or a telegram from one of them asking you to be against this? No; they are the one who built up the sentiment for the bonds to be taxed. They want it done. I want to show you the Negro in that woodpile as to why they want this done. There is a good reason why they want it done.

In this provision here arrangements are made to tax the Federal issues that are issues subsequently for Federal income taxes only, not State income taxes, just Federal income taxes. It is estimated that when the whole \$65,000,000,000 in tax-exempt bonds are refunded and others paid out in the way of taxable bonds, that we will raise annually the enormous sum of \$90,000,000 or \$95,000,000 in taxes.

How much is that? That means if you hold \$20,000 worth of bonds and you are getting 3 percent interest, you will pay the enormous sum of \$1 on the \$600 you collect in interest that year. It will cost the Government several hundred million dollars annually in extra interest to be able to collect less than \$100,000,000. That is not hurting them. That is just slapping them on the wrist with a velvet hammer. That is not doing any good, and that is not the object. The object is to set a precedent as a forerunner to taxing State, county, and political subdivision bonds. That is the object. The ones who appeared before the committee for the Treasury admitted that was the object.

HIGHER INTEREST IS DESIRED BY THIS PROVISION

So if you vote for this be ready to vote to tax your own bonds of your own county, city, and State; and what will that lead to? It leads to higher interest. That is the object of it—higher interest. They do not like this low interest we have enjoyed the past few years. The farmers have been getting their money too cheap, they say. They also contend the R. E. A. has been doing too well. Interest rates have been too low, and we want to harden those rates; we want to increase them, and the best way is to raise them. You can trace back over a period of years and you will discover there is a definite spread between what the Government pays for its money and what the home owner pays; what the automobile purchaser pays who buys on the installment plan; and what every bank, corporation, insurance company, and every individual pays. So when you do anything to raise interest rates on Government, State, county, political subdivision bonds, you are raising not just the interest on them; you are raising the whole interest structure. That is the reason you have not received one word of kick or condemnation from the people who are referred to as the preferred class here who would be supposedly harmed. They will not be harmed. They will be helped. While they do make certain loans to the Government in a very small amount, they will get the increased interest rate to take care of the small taxes to be paid and then from the other loans they make they will reap a big profit. This provision is intended for the purpose of increasing and hardening interest rates.

May I invite your attention to a phrase in this bill that would ordinarily, possibly, escape your attention. It says, referring to the Federal securities to be taxable hereafter:

Issued on or after the effective date of this act by the United States or any agency or instrumentality thereof.

Let us analyze this phrase. Does this mean that the Federal Reserve banks will be taxed? Not a penny. They do not pay any taxes. They just pay taxes on the real estate they own and that is all the taxes they pay. Will they be in this bill? No; they will continue to issue our money free, by paying 30 cents for printing every \$1,000, and pay no tax at all; but it means that your R. E. A. will be taxed. When it is carried to its logical conclusion, and your city must pay taxes on its bonds, and if you have a public improvement you want to make, the bonds will be taxable and you will have to pay a higher interest rate. Then when the R. F. C. lets you have the money on those bonds, the R. F. C. must issue and sell bonds and the R. F. C. will have to pay taxes on those bonds. So your city will be hit in two ways and sometimes there will be more ways than that. This gesture toward taxation of Federal securities is feeble, but will be sufficient to use as a precedent for some bad legislation in the future.

Mr. BOEHNE. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Furthermore, let us see who will be taxed under this. Not

the Federal Reserve banks; no, they are not touched, side, edge or bottom, but the Farm Credit Administration will be taxed and they will have to pay more and that means your farmers will have to pay more. Your Disaster Loan Corporation will have to pay more. Your Rural Electrification Administration, your Electric Home and Farm Authority, and your Federal Intermediate Credit Bank and your Reconstruction Finance Corporation, Federal Home Loan Bank Board, Mortgage Credit Corporation, and the Production Credit Associations, every one of them will have to pay more interest. This will increase the cost of living on more people at one time than any other bill that has been passed by an American Congress.

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, often we are entertained by this newly discovered doctrine advocated by the gentleman from Texas [Mr. PATMAN]. He states that all who study this problem believe in it. Often has he quoted Mr. Edison. I do not recall anyone else, but I would like to have him quote one economist of reputation who would agree with the proposition propounded by the gentleman from Texas. Would it not be indeed revolutionary for the Government to print bonds and have money issued against them without the payment of any interest? Even Jesse Jones could then say to the lending institutions as he does now, "If you charge too high interest the R. F. C. will take it at a lower rate." If money cost him nothing he could quote a fraction of 1 percent and make money. I have marked up the gentleman's testimony before the committee very carefully, and I always try to give him real attention. The chairman questioned him carefully and asked him why he did not recommend creating enough such money to take up the whole \$48,000,000,000. He answered that we should feel our way gradually, or words to that effect. Pat called, "Those are live wires, Mike, be careful!" "Yes," said Mike, "I feel of them very carefully before I take hold of them." I think you would only have to feel of this charged-wire proposition to find that you had felt of something pretty hot, and it would be just as dangerous as if you had taken hold of it. I know there is some sympathy with this new notion, because some people think that the Government ought to get its money for nothing; just printed, whether by the bond route or the greenback route.

The gentleman complains because the banks may get some benefit. The banks have my money and they have your money in demand deposits and they have it for nothing, and they loan perhaps at from 4 to 6 percent. Dreadful, is it not? What are banks for? But the Government should not pay interest. To me a ridiculous idea, when Government already is competing with private business on a large scale. After the Civil War the Government offered inducement to banks to issue greenbacks for needed currency requirements. We were rather proud to have money carrying the

name of our local bank, but we could not induce the banks to issue much over \$800,000,000. They did not seem to avail themselves of this apparent benefit. The Federal Reserve bank is not so completely a private institution, as the gentleman would like to have you think. It is fully controlled by the President of the United States through his appointees on the Board. The gentleman himself does not approve of the personnel now in charge, although they are appointed by the Executive. He does not apparently approve of Mr. Eccles. In order to have the kind of a Board that he would like to have, the gentleman would have to appoint the Board himself.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. No. The gentleman would not yield to me, and he had 15 minutes and I have only 5 minutes. However, 5 minutes ought to be enough anyway to dispose of this matter. If the gentleman could name one economist who would approve of his plan, I might be inclined to look at it a little more kindly. The gentleman from Missouri [Mr. WILLIAMS] will soon make a speech, and there will not be a leg left for the gentleman from Texas to stand on. When the gentleman from Texas attacked the Federal Reserve Board a year ago, the gentleman from Missouri [Mr. WILLIAMS] took the floor a little later and, without notes, made a notable speech of perhaps 30 minutes. It was so devastating that since that for some time we heard but little criticism of the Federal Reserve Board. This heresy will be shown in its positively dangerous aspects. Do not let the gentleman mislead you. But the very avoirdupois of his argument is so impressive that one is apt to be intrigued with it, and we should not be too easily led to believe in such sudden revolutionary suggestions.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. DOUGHTON. Mr. Chairman, we have only one more speaker on this side.

Mr. CROWTHER. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL. Mr. Chairman, I want to discuss this bill this afternoon from a point of view of my State and district. I want to show, if I can, just what a \$65,000,000,000 national debt will mean to the State of Michigan and to the Ninth Congressional District, which I represent. Some years ago I heard a lecture on taxation. The lecturer had on the platform a pair of overalls and a gingham dress with a patch on the overalls and on the gingham dress representing each tax, direct and indirect, which was reflected in the cost of each article with the name of the tax on the patch. There were 47 patches on the overalls and 43 on the gingham dress.

Using President Roosevelt's oft-quoted phrase, taken from a speech he delivered in Pittsburgh in October 1932:

Taxes are paid in the sweat of every man who labors. If excessive, they are reflected in idle farms, tax-sold homes, and in hordes of hungry walking the streets and looking for work in vain.

I realize how futile it is to try to talk economy when we are spending billions upon billions of dollars. I realize how useless it is to try to get anyone to cut appropriations when the attention of the public is on national defense and on the war in Europe.

I am one of those old-fashioned people who still believe that our national credit is something we should preserve; that we cannot keep on spending more than we take in year after year and not ultimately find ourselves in financial difficulties. And, above all, I am one of those who believe that our national credit is in the final analysis our first line of defense.

I have computed the share of this national debt of my State and my district upon a per capita basis. I have also computed the share that the State of Michigan and the 11 counties of my congressional district must ultimately pay, not only of the principal of the debt but of the annual interest-carrying charges thereto. I am taking the position that the 11 counties in my district and the remaining 3,004 counties that go to make up the United States must ultimately pay every dollar not only of the debt but of the interest and carrying charges that will be levied in the years to come. The per capita rate of the debt, using the 1940 census figures, is \$493 for every man, woman, and child in America. This means that the father of a family of five must pay \$2,465 and the interest-carrying charges thereon. This sum is a first lien on every dollar he earns. If he has any property it is a first mortgage on every dollar's worth of property he owns. It represents 50 percent of the amount a \$5,000 home would cost him. If anyone thinks that the 3,015 counties that make up the United States will not pay this debt and the interest-carrying charge, or if he thinks that the consumer will not pay, I would like to have him give me a better way than the way in which I think it will be paid. Using the 1940 census figures, Michigan's share of a national debt of \$65,000,000,000 will be \$2,591,260,000. The share of the Ninth Congressional District, which I have the honor to represent, will be \$116,872,000. The Secretary of the Treasury stated, on page 15 of the Treasury hearings, which will be out in a day or two, that the average rate of interest paid by the Government on the national debt during the month of November 1940 was 2.588 percent. Assuming that the interest rate will remain the same and not go up, this means that the taxpayers of America will have to pay on this \$65,000,000,000 debt each year an interest-carrying charge of \$1,682,200,000, or \$12.75 for every man, woman, and child in America.

Michigan will have to pay each year as her share of this interest over \$67,000,000, while the Ninth Congressional District's share will be exactly \$3,000,000 each year. This does not include the principal but only its share of the interest. I am placing into the Record a table giving the names of each of the 11 counties and 6 of the largest cities in my district showing the population of each county or city

and the amount that each county or city will have to pay as its share of the national debt, if it is ever paid, and its share of the interest-carrying charges. These figures are rather amazing. Lake County in my district has 4,798 people. Its share of the \$65,000,000,000 debt will be \$2,365,414. The amount of annual interest-carrying charges which its people will have to pay is \$61,215. Muskegon County the largest county in my district has a population of 94,501 people. That county's share of the \$65,000,000,000 debt will be \$46,588,993. Its annual share of the interest-carrying charge will be \$1,205,697.

Again let me impress upon you the fact that if the people in these 11 counties and in the remaining 3,004 counties that make up the United States of America will not pay this debt and the interest charge, just who is going to pay it? This money will be collected from corporations big and small, partnerships and individuals. It will be paid in the form of income taxes, corporation taxes, customs, and what not, but always finding its way down to the little fellow who will have to earn every dollar of it. Again using the President's phrase, "Taxes are paid in the sweat of every man who labors."

I realize the fact that we have to have national defense. It is too late now, although I have talked time and time again about the necessity for economy, of trying to conserve our resources. I am not here with any idea of preaching a sermon using the topic, "I told you so," but I am hoping that this little talk will impress upon every Member of this House and upon everyone who reads it the necessity of cutting from our nonmilitary budget every dollar that we can; of trying to eliminate from that nonmilitary budget every item we can reasonably eliminate and above all I want to impress you with the necessity of eliminating the tremendous waste and extravagance that we now have in the expenditure of our national-defense money. I am hoping that we can get somewhere near a dollar's worth of value for every dollar we spend for national defense.

In closing may I point out again the viciousness of a system of making lump-sum appropriations and of lump-sum debt increases. To turn over hundreds of millions of dollars to departments in lump sums to do with as they see fit means extravagance and waste that is inexcusable. To increase our national debt limit by a lump sum of \$16,000,000,000 at one time can only result in further extravagance and waste. I have repeatedly stated on the floor of the House and I personally feel that Congress should increase the debt limit only to the extent made necessary by the appropriations each year; that Congress should only permit increases in the debt limit each year to the extent made necessary by the differential between the revenues and the proposed expenditures. That is how you would do it in your own business and that is how you should do it in the Government's business. Some day we are going to realize that the solution of our problem can only come when we have adopted the old saying, "More business

in government and less government in business." [Applause.]

What a \$65,000,000,000 debt will mean to the Ninth Congressional District of Michigan

COUNTIES (1940 census figures are used)			
	Population	Share of national debt	Annual share of interest
Benzie.....	7,800	\$3,845,400	\$99,519
Grand Traverse.....	23,390	11,531,270	298,429
Lake.....	4,798	2,365,414	61,215
Leelanau.....	8,436	4,158,948	107,633
Manistee.....	18,450	9,085,850	235,141
Mason.....	19,378	9,585,854	247,240
Missaukee.....	8,034	3,961,762	102,530
Muskegon.....	94,501	46,588,993	1,205,697
Newaygo.....	19,286	9,507,998	246,067
Oceana.....	14,812	7,302,316	188,984
Wexford.....	17,976	9,862,160	253,233

CITIES			
	Population	Share of national debt	Annual share of interest
Cadillac.....	9,855	\$4,858,515	\$125,738
Ludington.....	8,701	4,289,593	111,015
Manistee.....	8,694	4,286,142	110,925
Muskegon.....	47,697	73,744	36,355,792
Muskegon Heights.....	16,047	7,127,794	184,357
Traverse City.....	14,458	7,127,794	184,357

The CHAIRMAN. The gentleman from Michigan yields back 3 minutes.

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. DEWEY].

Mr. DEWEY. Mr. Chairman, I apologize to the House for again occupying the floor. As a new Member of Congress I would not presume to do so were it not that this particular bill pertains to a matter of much concern to the people I represent and relates to a subject with which I have had some first-hand experiences while in the Treasury Department.

The existing debt limitation is \$45,000,000,000, with a special authorization of \$4,000,000,000 additional for defense purposes, making a total of \$49,000,000,000. This bill proposes to raise that debt authorization to \$65,000,000,000. It is an astronomical sum.

Frankly, my fellow citizens back in Illinois, some of whom I have the honor to represent, will be asking in no uncertain terms to what extent extravagance in government will go. These people in 1938 paid \$498,000,000 in internal-revenue taxes—the second largest amount paid by any State in the Union. They will demand an accounting of us, their Representatives, both Republicans and Democrats. The same question will be asked in other States.

I am astounded that the Congress is being asked to authorize this additional \$16,000,000,000 of borrowing power. It is extremely unwise. It is wholly unnecessary. This bill demonstrates the loose thinking that has characterized our fiscal policy for the last several years.

As I understand it, the estimate of total receipts for the fiscal year 1942 is \$9,000,000,000. This, I think, is conservative, in view of rapidly expanding business, and especially in view of the fact that it does not take into account any increase in taxes. But let us not quarrel about the receipts for 1942 and accept the \$9,000,000,000 figure.

The expected debt by June 30, 1941, is \$49,100,000,000. That seems to be a reasonable estimate. If the \$16,000,000,000

additional debt is authorized and we add to that the \$9,000,000,000 of expected revenue, we must conclude that the expected expenditures for the fiscal year 1942 will be \$25,000,000,000. That just does not make sense—\$70,000,000 every day in the year.

And may I say that I believe this expectation can be accepted, because in the majority report the following is stated:

It is believed that this increased limitation will amply cover the Treasury's present anticipated financing requirements for the current and ensuing fiscal year.

Do you realize what \$25,000,000,000 expenditure in this period would mean? It would mean \$70,000,000 every day of the week, including Sundays.

It is fantastic to imagine our Government spending \$25,000,000,000 in a year. It is an amazing amount. During the peak—the peak of borrowing in the 2 war years 1918 and 1919—the total increase of debt was but \$22,000,000,000. There should at least be a clearer indication of the necessity and purposes of such an expenditure. The Budget estimates call for an expenditure of \$18,000,000,000. Are we to assume that the \$7,000,000,000 extra is merely for the "petty cash" account?

There is more to this picture. It must be kept in mind that in addition to the \$25,000,000,000 there is something like \$1,800,000,000 of unpledged gold in the stabilization fund, which can be lent on foreign account. If the President would monetize the silver bullion now in our possession, there would be an additional \$1,200,000,000 for expenditure. He also has the power to issue \$3,000,000,000 of greenbacks. And, moreover, there is the enormous unused borrowing powers of the Reconstruction Finance Corporation which do not enter into the total public debt, but, in reality, represent a national obligation.

Supplementing these direct expenditure possibilities is the use of the resources of Government corporations, which can be expanded indefinitely. The Defense Plant Corporation and Metals Reserve Corporation, for instance, were organized by the Reconstruction Finance Corporation and are making expenditures which do not come within the debt limit. How many in Congress know what they are?

It is time we call a halt to these loose financing policies. We are pursuing an inflationary course. The insurance policies, the small savings, and the wages of the people we represent are involved in this bill. When inflation comes, as it is certain to come under such loose fiscal policies, it always falls on the poor first and the hardest.

I am opposed to this bill because the sum requested is simply fantastic. I cannot imagine the Secretary of the Treasury asking for a debt-limit authorization to be increased many billions of dollars more than possibly can be necessary. If we must increase the debt limitation, let it be no more than is actually shown to be essential, bearing in mind the spending powers already in the hands of the executive branch of the Government, independent of the debt limit. [Applause.]

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, it was not my intention to take the floor at all today on this bill. You have all seen me take the floor and heard me discuss this question of the national debt on many occasions.

I view with the utmost alarm the rapidity with which this national debt has been increased. I think in terms of 64,000,000 insurance policyholders in this country who are loaded down with Government borrowing now because their companies are carrying a very large part of the national debt. I am thinking of the securities of the depositors in our banks, because the banks are carrying some \$19,000,000,000 of this debt. Strange to say, there is something about the word "billion" that makes no impression whatever upon the public mind. It is simply beyond the comprehension not only of the average citizen, but of the financial experts to furnish any yardstick by which the people can see the extent to which their savings and the protection of their social gains are being whittled away and destroyed by the magic but incomprehensible meaning of the word "billion."

Most of this debt was created not during a time of war but during a time of peace, during a time when other countries had come back to a period of prosperity and were reducing their obligations and underwriting the safety of their citizens.

It seems to me the Secretary of the Treasury made a most significant statement before our committee, and I want to read you one paragraph. He said:

One step which the Government should take is economy in Federal expenditures. I believe therefore that all Federal non-defense expenditures should be re-examined with a magnifying glass to make certain that no more funds are granted than are absolutely essential to existing circumstances.

I am one of those who believe the Secretary of the Treasury is thoroughly alarmed over the situation in which he finds himself. I believe he has been driven on by forces more or less out of his own personal control and that he feels the responsibility. He mentioned the fact in the examination, that it was causing him sleepless nights, and I am sure this must be true for I notice that following the hearings he went to the West for a rest and vacation.

I believe that \$16,000,000,000 increase all at one time never should be permitted by this House. That is not the way they are operating in Great Britain even in wartime. I was looking at *The Economist*, an English magazine published as recently as November 30, 1940. Down to this minute there is not a single item of expense of any department of the English Government that is not tested by a close examination on the floor of Parliament. Every minister has to come before the Parliament and explain in detail why he is asking for the money and what he is going to do with the money. Under the British system of government the minis-

ters are selected from the Parliament, whereas in our own country the Cabinet officers, those corresponding to ministers in England, the heads of the Department of the Treasury, Secretary of War, and various other departments of this Government, are selected by the Executive himself and are under the control of the Executive. This is all the more reason why this Congress should examine in great detail every item in respect to expenditures made by the Government to the end that Congress and the people may know just where and for what purpose tax money is being used.

The Secretary of the Treasury says he is not responsible for this figure of \$16,000,000,000 at this time. He stated that he was called before the Democratic leaders of the House and Senate, or he appeared before them, and those leaders were the ones who fixed the amount of \$16,000,000,000. What then may be expected after the boondoggling program of the last 8 years. Is it to be billions for boondoggling and only a few million for national defense?

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Chairman, it seems we are not giving the attention to this very important matter that we should give, because when you look around you will see only a few Members on the floor of the House.

I cannot help but give serious thought to increasing the national debt from forty to forty-five billion dollars, then from forty-five to forty-nine billion dollars, and now it is about to take a jump to \$65,000,000,000. The difference between forty-nine and sixty-five billion dollars is \$16,000,000,000, but we will give credit to the chairman of the Committee on Ways and Means, who says it is actually only an increase of \$11,700,000,000 because of changes in the law. Now, Mr. Chairman, that is an enormous sum of money. Where are you going to get the money? I do not know whether the Democrats of the committee recommend this increase or are apologizing for having to do so. We know the trouble is the New Deal squandering, the New Deal waste, the New Deal inefficiency. Now they want to lay it to national defense. Why did you go in the red the past 8 years over \$27,000,000,000?

NATIONAL-DEFENSE BUNCO FOR NEW DEAL WASTE

Every member of the committee wants a limit on the national debt, but let me call attention to the statement made by the President in his Budget message, as follows. I quote:

Borrowing is not hazardous as long as it is accompanied by tax measures which assure a sufficient tax yield in the future. This raises the question of the debt limit. The Congress, by making appropriations and levying taxes, in fact controls the size of the debt, regardless of the existence of a statutory debt limit. If the Congress, subsequent to the establishment of a statutory debt limit, makes appropriations and authorizations which require borrowing in excess of that limit, it has, in effect, rendered that prior limit null and void. In the first 130 years of our national life the Congress controlled the debt successfully without requiring such a limit.

In view of these facts, I question the significance of a statutory debt limit, except as it serves as a fiscal monitor.

The President does not believe in any debt limit. If Congress were not to restrict that man the sky would be the limit for him. He does not know anything about the judicious expenditure of money at all. He is the most ruthless spender of money the world has ever seen. Nobody has ever approached him in squandering the taxpayers' money. The interest now on the national debt is \$1,250,000,000.

Let me read you what he thinks about debts. He stated further in this Budget message, and I quote:

I understand the concern of those who are disturbed by the growth of the Federal debt. Yet the main fiscal problem is not the rise of the debt, but the rise of debt charges in relation to the development of our resources.

HE IS NOT WORRIED ABOUT THE NATIONAL DEBT

Mr. Chairman, a certain individual stated that we think in terms of dollars, or that the American people only think in terms of dollars. I do not believe that myself. Well, now, in my opinion, the American people are very much concerned about the future of this country. We are approaching very rapidly the greatest danger which America ever faced. It was stated here a few moments ago that we are thinking of national defense, but if we find that our financial structure has collapsed, then our national defense and everything else collapses. How can you run your Navy and your Army if you are bankrupt?

If and when we go bankrupt, then we lose our form of government.

When I think of the way money is being spent as fast as we are spending it, I am reminded of that old song:

Oh, where, oh where has my little dog gone?
Oh, where, oh where has he gone,
With his ears cut long and his tail cut short,
Oh, where, oh where, has he gone?

That is what you fellows over there on the other side will be singing pretty soon. You will be wondering where you have gone, but it will be too late. You will have gone bankrupt with your inefficiency in government.

Mr. ROBERTSON of Virginia rose.

Mr. RICH. Mr. Chairman, it will be too late because of the fact that they were not all like the gentleman here. If we had more Members like the gentlemen from Virginia, Mr. Woodrum, Mr. Robertson, Senator Byrd, and Senator Glass, and if we had more Members here who ought to be listening to the gentleman's statement and to the statement of the chairman, then take heed of those things, we would probably cut this limit down. We should never have had to raise it. If we increase this debt limit we ought to try to keep it as low as we possibly can do that every time the President wants more funds he will have to come to Congress and ask for them. Then we ought to step on his toes and not give it to him, just like you would do with a little boy who does not know anything about money spending. Give him a quarter at a time, do not give him 50 cents. If he wants 50 cents, make him ask for it twice. After a while you

can probably hold him down to figures that are sensible. I herewith show you what a record the President has for squandering money:

Roosevelt deficit

Mar. 4 to June 30, 1933.....	\$892,600,000
1934.....	3,965,991,685
1935.....	3,575,357,963
1936.....	4,763,841,642
1937.....	2,707,347,110
1938.....	1,384,160,931
1939.....	3,542,267,954
1940.....	3,611,056,036
1941 to Jan. 10.....	2,482,601,589

8 years less 54 days..... 26,925,245,920

This means the average for each of the 8 years in the red, \$3,365,655,740.

This means each month of the 8 years in the red, 280,471,312.

This means each day of the 8 years in the red, including Sundays and holidays, \$9,349,044.

This means each hour of the 8 years in the red, including Sundays and holidays, \$389,543.

This means each minute of the 8 years in the red, including Sundays and holidays, since Mr. Roosevelt became President, \$6,492.

Think of it, every minute since Mr. Roosevelt took office he spent more than the country received by over \$6,000 a minute. That would mean a grand salary for a man with a family for a year.

Where are you going to get the money? I ask the Members of Congress and the country to come to their senses and become thrifty and be a little considerate for the welfare of our country in time of national peril, also to have some thought for the future of your children.

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. EDWIN ARTHUR HALL].

Mr. EDWIN ARTHUR HALL. Mr. Chairman, I cannot help but feel rather surprised that there is not more real interest shown in the discussion of what I consider to be one of the most important measures that this or any other Congress has ever had presented to it. The gentleman from California [Mr. GEARHART] remarked not so long ago that it was a mystery to him why, after the tremendous noise which we heard last week, and the mighty heat of argument, a reaction should set in such as has set in with reference to the discussion of today's bill, resulting in a comparatively neutral interest.

Mr. Chairman, I believe it is absolutely necessary that the bill now before us should be discussed and considered with just as much interest and careful thought as any of the bills which have preceded it. We are faced with the necessity of increasing the Federal debt limit at a time when we have to go into further commitments with the utmost of care.

I am particularly interested in the minority report, as I feel it discloses a very careful study of the question, and I for one endorse it wholeheartedly. During the World War, which I vividly recall as a small child, I have looked at the various liberty bonds and war-savings stamps my parents had purchased, and wondered if the Government would be able to pay

them back. I worried considerably as to what the future might bring. Ever since then I have been very much opposed to deficit financing of any kind.

Some 10 years ago, long before I became a Member of this Congress, I observed the various spending orgies which were then being entered upon with fear and apprehension. Over the past few years I have seen at first gradual and then, more recently, speedy increase of the debt limit of the United States. I can assure you that I have been very apprehensive about the whole line of procedure.

I heartily endorse the idea of the \$60,000,000,000 debt limit which the minority has proposed, instead of the \$65,000,000,000 as a debt limit. I feel that any gesture at this time on the part of any group within the Congress which goes to the end of reducing obligations is certainly necessary and should be forthcoming.

The mistake of letting down the bars to such a great degree today and countenancing so much of a rise in the debt limit cannot be overemphasized. It is not as though we would be unable to commit ourselves to greater indebtedness at a moment's notice. That is all too easy. But the deplorable part is to create a precedent of voting to go into the red at one time to the sum of sixteen billions.

For this reason, I will introduce a little later in the day an amendment prohibiting the further increase of the national debt beyond sixty-five billions unless by Presidential proclamation of a change in existing conditions. If this is adopted, it will be binding on all future Congresses and thenceforth the problem of debt increase will be solved.

Mr. CROWTHER. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. MICHENER].

Mr. MICHENER. Mr. Chairman, I am definitely committed to vote for that which I believe to be necessary to finance our national defense. I am also definitely committed to any legal method that will bring about the taxation of certain Government securities issued in the future and which are now tax exempt. I am also definitely committed against blank checks, using the term in its generic sense.

This places me in a rather peculiar predicament as far as this bill is concerned. This bill is a blank check, fixing a definite amount as a ceiling to our national indebtedness, and it lodges a lot of discretion in the spending agencies of the Government at this time. To vote against this bill would be to vote against the taxing of tax-free securities, which I believe should be taxed; as to voting for the \$60,000,000,000 debt limit suggested by the minority report, I believe that is a mere guess, but will cover present necessities. As a matter of fact, the Congress is in session. We should and do control the purse strings of the Government. There is not a Member among us who does not realize that. We are going to be in constant session throughout the duration of the emergency. If that is true, why can we not appropriate such sums as are needed if and when they are needed for national defense,

rather than authorize a lump sum, and in that way carry on these lump-sum appropriations and encourage deficit financing?

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. MICHENER. I yield to the gentleman from Illinois.

Mr. ARENDS. Might it not be a good idea, inasmuch as we are going to be here all the time during the emergency, if the Congress would come in here once a week or every 2 weeks or 3 weeks or every month and raise the debt limit \$1,000,000,000 at a time, to call to the attention of the Congress and the country just what we are doing to bring on this debt?

Mr. MICHENER. The psychological effect might be good, but our people have gotten to the point where they do not realize what a billion dollars is. But, mark this word, the time is coming when they will begin to pay off these bills and when taxes are bound to be increased to such an extent that the American standard of living must be lowered. We all realize that we have sacrifices ahead. There is a hard road just over the hill. I prefer a sixty-billion limit and shall so vote. If that amendment loses I shall vote for the bill. It is bound to come later and I want to vote to tax future Federal Government bonds. [Applause.]

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. WILLIAM T. PHEIFFER].

Mr. WILLIAM T. PHEIFFER. Mr. Chairman, I hope that the Members will not think it is too brash of me as a new Member to speak from the well of the House twice in less than a week. I must confess to a certain sense of embarrassment in doing so, but I assure you I would not take the floor again today were it not for the fact that I earnestly feel that this bill is almost on a par, from the standpoint of importance in effect on our domestic economy, with the lease-lend bill, which was debated last week.

I assure you that I would not raise any spirit of obstruction as far as the defense program is concerned if, in my judgment, and I am sure that I speak the sentiments of my Republican colleagues, the increase of \$16,000,000,000 in the debt limit were actually needed for the providing of armaments, guns, and munitions for the defense of this country. If that were the case, you would not hear us objecting. But it is quite evident by now that the \$16,000,000,000 increase will be used for many, many purposes other than the national defense. We have but to consider the lavish spending of the public's money during the past 8 years to give us a guide and a yardstick as to how this money will be spent.

I grant the correctness of the argument of the distinguished chairman of the committee that the money will not be spent until it is appropriated; but I say that, as sure as today is Monday, if we raise the debt limit to \$65,000,000,000 the debt of the United States will soon be \$65,000,000,000.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. WILLIAM T. PHEIFFER. I yield to the gentleman from Tennessee.

Mr. COOPER. Does the gentleman know of any way that one single dollar can be placed in the Treasury of the United States or taken out of it without the action of Congress?

Mr. WILLIAM T. PHEIFFER. That is true, and I grant the gentleman's point, but after sitting through the debate the week before last on an appropriation bill of \$1,400,000,000 and seeing every attempt made on the part of the Republican side to amend that bill in the interest of economy, and then seeing every attempt turned down flatly by this House, with finally only \$247,000 being lopped off a \$1,400,000,000 bill, and that at the instance of an amendment offered by a gentleman from the Democratic side, I am not so naive as to believe that once we have this increased debt limit the appropriations will not follow just as a matter of course.

Coming as a terrific impact on the American people, this increase of \$16,000,000,000 will once again make them realize that we are headed for the port of national bankruptcy. What has our President done to allay that fear? Going back to December 17, 1940, in his press conference, in speaking to the gentlemen of the press with regard to the lease-lend bill which was then just his brain child, he said, "Let us get rid of the silly dollar sign." Now, I grant you that Mr. Roosevelt was speaking of the dollar sign in relation to our dealings with Great Britain, but does it not point out clearly just what the attitude of the administration has been with regard to spending the public money—the silly dollar sign. It would be almost as reprehensible to refer to the "silly American eagle," because the dollar sign and the eagle have from the beginning of this Nation been the symbols of independence and security for the American people.

Referring to our efforts in support of the minority report on this bill, would it not be a splendid thing if the people of this country could read in their newspapers tomorrow morning that this Congress has given real, tangible effect to the oft-repeated, but never performed, promise of the administration to curtail non-defense expenditures. That happy message can go forth to the people if we will only keep faith with them and vote to increase the already overwhelming national debt only in such amount as is necessary to pay for genuine bona-fide defense items. If we do that, we will bolster the morale of the people and go far toward restoring their confidence in the fiscal policies of their Government.

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield 1 minute to the gentleman from Iowa [Mr. GILCHRIST].

Mr. GILCHRIST. Mr. Chairman, I find myself in exactly the same position as is the distinguished gentleman from Michigan [Mr. MICHENER] who said so distinctly and happily just now that this bill provides for an extravagant expenditure of Government funds in advance of the time when we will need such expenditures, or even know that we will need them.

I am absolutely committed to the proposal of putting a ban on the issuance of more tax-exempt securities, and section 4 of the bill provides for such a ban. But the present form of the bill is such as to prevent me from voting for it, because of the staggering expenditures which it contemplates. The motion to recommit the bill which will be made, will cut down those expenditures and also will have in it some provision which will prevent issuance of interest-bearing bonds. I shall vote for such a motion. [Applause.]

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield part of the remaining time to myself.

Mr. Chairman, it seems to me a long time ago I heard in dulcet tones over the radio that there was a plan by our very distinguished Chief Executive to drive "the money changers from the temple." When I listened to the speeches that have been made on monetary policy today it seems to me they have not only not been driven from the temple, but they have been dining for the past 8 years on pâté de fois gras and other delicacies.

Mr. Chairman, the opportunity and the promises that have been made to balance the Budget have all "gone with the wind." There is no longer any opportunity to balance the Budget. A taxation program that would bring that about would require a capital levy that would be destructive of capital and a burden industry could not possibly bear. However, it seems to me it is high time that our committee brought in a tax bill that would at least come as near as possible to allowing us to pay as we go on national defense, and hold our borrowings down to the very lowest possible level.

I do not agree with the conclusions of the President in his Budget message, wherein he stated that—

in view of these facts I question the significance of a statutory debt limit except as it serves as a fiscal monitor.

This seems to me to be a declaration that the sky is the limit, and that further caution as to exceeding our debt limit should no longer be exercised. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, as usual we have heard much criticism offered, much complaint made, but not a single remedy offered; not a single constructive suggestion given to the House to meet the problem that your country and my country faces today.

Mr. BENDER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Very briefly, for my time is very limited.

Mr. BENDER. Is it not a fact that we have been suggesting the cutting down of nondefense expenditures and is not that a constructive suggestion?

Mr. COOPER. I will probably be able to open the gentleman's eyes to some extent by some figures I will give him in the course of my remarks. That is just an illustration of the type of argument that some people are advancing on this

extremely important problem we have before us here today.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Very briefly.

Mr. AUGUST H. ANDRESEN. In connection with the provision removing the exemption from Federal securities, is it the understanding that these Federal securities in the future will be subject to local or State taxation?

Mr. COOPER. No; there is nothing in this bill that provides for the taxation of State, county, or municipal securities by the Federal Government or allowing the State, county, or municipality to tax Federal securities. That is not covered in this bill.

Mr. Chairman, this bill, H. R. 2959, is a very important national-defense measure. It provides for the revenues to pay for the national-defense program. Some gentlemen have made reference to appropriations. This is not an appropriation bill. If it were an appropriation bill, it would not be presented here by the Committee on Ways and Means but would come from the Appropriations Committee. Some gentlemen say that it is a blank check. All this bill provides, and the only reason it is here today is to provide money to pay appropriations that already have been made by the Congress and commitments and contracts already entered into, with a reasonable expectation of what is necessary to meet our national-defense program.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Very briefly.

Mr. MICHENER. I do not know whether the gentleman is aiming at what I said a moment ago, but what I object to is this expectancy. We can just as well bring a bill before this Congress each time we need additional credit and authorize it then, rather than to give a blank check today.

Mr. COOPER. Oh, that is as far as I can yield. That is a most amazing statement for an experienced and accomplished legislator such as the gentleman is, as everyone will recognize. It is amazing that he should stand up here and even intimate that every time the Federal Government needs a few thousand dollars to finance its expenses and operations Congress then should pass a bill authorizing the issuance of bonds in that amount. What kind of interest rates does the gentleman think this Government would have to pay on any such slipshod method of financing as that?

One of the main purposes of this bill is to provide a degree of flexibility for the Secretary of the Treasury so that he may continue the splendid record that he has made in securing money for the operation of the Government at a very low rate of interest. It would be interesting to examine the table appearing at the bottom of page 40 of the hearings, where it is shown that the interest rates to the Federal Government have been materially decreased, and in some instances cut about in half during this administration.

This bill includes three principal provisions. First is the increase of the national debt limit from the present figures of \$49,000,000,000 to \$65,000,000,000. The second is to remove the partition that now

exists at the point between \$45,000,000,000 and \$49,000,000,000, and the third is to provide for the Federal taxation of future issues of Federal securities.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I must decline to yield for the present.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes; very briefly as the gentleman is a member of the committee.

Mr. BUCK. It is not \$49,000,000,000 but \$53,000,000,000.

Mr. COOPER. I am trying to get to that. Reference has frequently been made to the claim set out in the minority report that the increase is \$16,000,000,000. In all fairness, that cannot be justified. The truth is that the present statutory debt limit is \$53,300,000,000. A debt limit of \$45,000,000,000 was provided under section 21 (a) of the Second Liberty Bond Act. Four billion dollars was authorized under section 21(b) of the Second Liberty Bond Act, and \$4,000,000,000 under section 6 of the Second Liberty Bond Act as amended, which provides for war-savings securities, and \$300,000,000 under the 1898 act. Section 32 of that act provides for certificates. Those items forty-five, four and four, billion and three hundred million aggregate \$53,300,000,000 of outstanding existing statutory authority for our national debt. Subtract \$53,300,000,000 from \$65,000,000,000 and you have \$11,700,000,000 and that is the amount of the increase.

Mr. KEEFE. Do those items of authorization of debt referred to, outside of the \$45,000,000,000 and the \$49,000,000,000 have any statutory limitations at all?

Mr. COOPER. Of course they are of various types and kinds, but it is the outstanding statutory debt authorization. The purpose of this bill is to repeal all of those and simply have \$65,000,000 over all, one figure all-inclusive, statutory debt limit.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I am sorry, but I cannot. I shall try to come back to the gentleman for a moment after awhile. That shows that the increase under this bill is not \$16,000,000,000 but \$11,700,000,000. There are two very important things that I think should be borne in mind in connection with this legislation. One is that on March 15 of this year, the Secretary of the Treasury will have to meet a maturing debt of \$1,220,000,000. By May of this year the borrowing power of the Federal Government will be exhausted.

At the time the Ways and Means Committee was considering the first revenue bill of 1940 the Secretary of the Treasury, the responsible official of the Government charged with the fiscal affairs of the Nation, told us that he thought an increase of \$4,000,000,000 then provided would be adequate to take care of us so far as the situation then existed. Now, let us remind ourselves of what has happened since then. Since that time we have found it necessary, by the solemn action of Congress, to provide for a two-ocean navy. We have found it necessary to provide for vast expenditures for national defense, so that now we find in-

stead of \$4,000,000,000 meeting the requirements, it now takes \$28,500,000,000 to take care of the requirements immediately before us for national defense and to prepare to defend this country of ours. So that is the reason and the necessity for this bill being here today.

It is important that we act promptly on it because, as I say, the Secretary of the Treasury has to meet \$1,220,000,000 on March 15. That is the 15th day of next month. This bill still has to pass the Senate. In the very nature of things it will require some time for the Treasury Department to make their plans and arrangements to meet any such amount of money as that. It is time for us to be realistic about these things. We can indulge in political discussions. We can talk about what has been done in the past. Some of our distinguished colleagues charge the Chief Executive of the country with the situation being as it is today. The fact is, as I endeavored to point out a few minutes ago, there is no way whereby money can go into the Treasury of the United States or can come out of the Treasury of the United States, except by the action of Congress. We have appropriated these sums of money that the Congress deemed necessary. The time has come to make some provision to provide the money to pay for those appropriations.

We hear considerable talk about economy. I do not yield to anybody in a desire to effect all the economy that we can in the expenses of our Government, but again let us be a little realistic. As some distinguished citizens of America have recently been saying, "Let us look at the record. Let us examine the facts about it."

These figures are given me by Mr. Shield, clerk of the Appropriations Committee, whom I accept at any time on matters of this kind. The 1942 Budget provides \$17,485,000,000. For defense it provides \$10,811,000,000. That is a difference of \$6,674,000,000. There are fixed charges of \$3,196,000,000. Other activities, \$3,478,000,000, or a total of the same amount that I previously stated, \$6,674,000,000, other than defense.

Thus, the ordinary budget, I think, may well be stated as being somewhere about that figure of \$6,674,000,000.

I just want to invite your attention to six items that account for all of that but \$2,000,000,000. Just remind yourselves of some of the items that are included in these various appropriation bills that we consider here. First, the interest charge, a fixed charge, is \$1,225,000,000. Veterans' benefits, \$564,000,000. Is there anybody in favor of cutting that? Then benefits to agriculture, \$1,061,000,000. Relief for 1942, \$1,000,000,000. Social security, \$462,000,000. The National Youth Administration program, \$362,000,000. Those six items total \$4,674,000,000, and that taken from \$6,674,000,000 leaves \$2,000,000,000 for all of this wide range of economy that we all desire and would like to see happen. But that is the margin we have to work on when it comes to accomplishing that very desirable and laudable purpose.

Now, we can stand for cutting non-defense items, and we all approve that sentiment and would like to see that happen, but these figures give you some idea of what we really have to work on when we make that kind of a statement, and how extremely difficult it is for us to accomplish the results that we would all like to accomplish.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MOTT. I have a great deal of respect for the gentleman's opinion on these matters. I want to ask him this question: Were it not for the huge expenditures which we have to make on account of the national defense, how much would the gentleman say it would be necessary to raise the debt limit in order to meet the situation?

Mr. COOPER. As pointed out by our distinguished chairman this morning, the revenue that we receive above normal requirements for the year 1941 would be \$275,000,000, and for the year 1942 we would have \$1,600,000,000 above normal requirements.

Mr. MOTT. Then most of the necessity for raising the debt limit to \$65,000,-

000,000 you would say was on account of expenditures for national defense?

Mr. COOPER. Absolutely. If it were not for these enormous expenditures for national defense, I give it to you as my honest opinion we would not be here with this bill today, but it is vitally important to pass it if we are going to provide the defense of this country we have all voted heretofore. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The time of the gentleman from Tennessee has expired. All time has expired. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the Public Debt Act of 1941.

Mr. BUCK. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this, of course, is a pro forma amendment and is made for the purpose of answering certain suggestions made during the course of general debate and because I could not get time during general debate. Suggestions were made that there was no necessity for passing this bill. The gentleman from Tennessee [Mr. COOPER], who just spoke, pointed out some of the things I would other-

wise have pointed out to you, but it seems to me there are other things more important.

This is a bill to authorize the financing of a national-defense program which has been adopted and which will be adopted by this Congress. In the few minutes allotted to me I cannot go into all the details, but I can at least call your attention to the testimony that was introduced before the Senate Committee on Naval Affairs in April of 1940, which showed that from 1922 to 1925 we laid down no naval ships whatsoever. The record shows none for 1922, none for 1923, none for 1924, one submarine in 1925, one cruiser and five river gunboats, which must have been for China, in 1926; one cruiser and two submarines in 1927; and then in 1928 we began to build a few—six cruisers. Now, let not my friends on the left come before us and tell us we are building up appropriations to develop a large military and naval-defense program when deliberately for 6 years when in power they spent no money whatsoever on either the naval or military arms of this Nation other than the maintenance of men at Army and Navy shore stations. I insert an extract from the Senate hearings of 1940 at this point:

Ships laid down each year by the 5 principal naval powers, as of Nov. 15, 1939

[Hearings before Naval Affairs Committee, 76th Cong., 3d sess., on H. R. 8026]

	United States	British Empire	Japan	France	Italy
	Tons	Tons	Tons	Tons	Tons
1922 ¹	None.....	2 battleships..... 67,850 1 large mine layer..... 6,740 1 oiler..... 15,350	2 cruisers (a)..... 14,200 4 cruisers (b)..... 18,475 10 destroyers..... 10,000 5 submarines..... 5,411 3 mine sweepers..... 1,845 4 river gunboats..... 1,220 2 sub tenders..... 10,320 1 store ship..... 15,820 3 oilers..... 42,150 5 destroyers..... 6,395 5 submarines..... 7,841 1 mine sweeper..... 615 4 cruisers (a)..... 24,200 5 destroyers..... 6,575 7 submarines..... 9,658 2 cruisers (a)..... 10,000 5 destroyers..... 6,575 4 submarines..... 4,260	1 cruiser (b)..... 7,249 2 destroyers..... 4,252 4 submarines..... 3,896 2 river gunboats..... 436	2 destroyers..... 2,461 4 mine sweepers..... 2,480 1 repair ship..... 7,185 3 transports..... 4,293 1 oiler..... 10,555
1923	None.....	None.....			
1924	None.....	5 cruisers (a)..... 49,600 1 destroyer..... 1,170 1 submarine..... 1,311 2 cruisers (a)..... 19,720 1 destroyer..... 1,350 2 submarines..... 2,703		2 cruisers (b)..... 14,498 16 destroyers..... 24,332 6 submarines..... 4,168 1 cruiser (a)..... 10,000 9 submarines..... 6,282 1 oiler..... 3,481 1 cruiser (a)..... 10,000 6 destroyers..... 8,268 1 submarine..... 1,384	2 destroyers..... 1,870 4 patrol gunboats..... 2,120 4 destroyers..... 4,232
1925	1 submarine..... 2,710				2 cruisers (a)..... 10,000 9 destroyers..... 9,595 10 submarines..... 10,138 4 patrol gunboats..... 2,460 8 submarines..... 2,922 1 training ship..... 2,790
1926	1 cruiser (a)..... 9,100 5 river gunboats..... 2,310	2 cruisers (a)..... 19,600 4 river gunboats..... 1,144 1 seaplane carrier..... 4,800 1 repair ship..... 12,300	7 destroyers..... 11,515 6 submarines..... 9,637	1 cruiser (a)..... 10,000 5 destroyers..... 7,948 5 submarines..... 5,480	
1927	1 cruiser (a)..... 9,100 2 submarines..... 5,460	5 cruisers (a)..... 47,810 6 submarines..... 8,850 1 submarine tender..... 14,650	2 cruisers (a)..... 19,700 1 mine layer..... 1,345 3 destroyers..... 5,100 3 submarines..... 4,905	1 cruiser (a)..... 10,000 9 destroyers..... 17,692 12 submarines..... 17,235 1 river gunboat..... 639 1 aviation transport..... 10,000 2 oilers..... 10,964 1 cruiser (a)..... 10,000 1 cruiser (b)..... 6,496 1 destroyer..... 2,441 11 submarines..... 9,599 1 large mine layer..... 4,773 1 submarine tender..... 5,747 1 cruiser (a)..... 10,000 3 destroyers..... 7,323 10 submarines..... 9,014 3 patrol gunboats..... 5,907 1 transport..... 1,820 2 oilers..... 10,964 7 destroyers..... 17,087 3 submarines..... 2,619 1 patrol gunboat..... 1,969 1 oiler..... 4,763	10 destroyers..... 16,280 2 submarines..... 1,604
1928	6 cruisers (a)..... 54,700	1 cruiser (a)..... 8,390 9 destroyers..... 12,340 5 submarines..... 7,375 2 patrol gunboats..... 2,090 1 tender..... 420	2 cruisers (a)..... 19,700 4 destroyers..... 3,800 1 submarine..... 1,635 3 mine layers..... 2,870 2 mine sweepers..... 1,230 1 river gunboat..... 170 1 aircraft carrier..... 7,100 5 destroyers..... 8,500 4 submarines..... 6,869 1 river gunboat..... 170	1 cruiser (a)..... 10,000 1 cruiser (b)..... 6,496 1 destroyer..... 2,441 11 submarines..... 9,599 1 large mine layer..... 4,773 1 submarine tender..... 5,747 1 cruiser (a)..... 10,000 3 destroyers..... 7,323 10 submarines..... 9,014 3 patrol gunboats..... 5,907 1 transport..... 1,820 2 oilers..... 10,964 7 destroyers..... 17,087 3 submarines..... 2,619 1 patrol gunboat..... 1,969 1 oiler..... 4,763	4 cruisers (b)..... 20,276 2 destroyers..... 3,255 10 submarines..... 8,094 1 research ship..... 1,192
1929	None.....	11 destroyers..... 14,954 4 submarines..... 5,900 6 patrol gunboats..... 6,435 9 trawlers..... 5,179			2 cruisers (a)..... 20,000 4 destroyers..... 4,824 3 submarines..... 1,797
1930 ²	3 cruisers (a)..... 29,700 1 submarine..... 1,540	1 cruiser (b)..... 7,270 5 destroyers..... 6,890 1 submarine..... 640 3 patrol gunboats..... 3,315 4 survey ships..... 3,540 1 river gunboat..... 372 3 cruisers (b)..... 21,420 9 destroyers..... 12,400 5 submarines..... 5,225 4 patrol gunboats..... 4,240 1 trawler..... 581 1 net layer..... 2,860 1 mining tender..... 276 1 river gunboat..... 185 1 sub tender..... 222 3 trawlers..... 1,785 2 tenders..... 457	5 destroyers..... 8,500 1 mine layer..... 1,135		2 cruisers (a)..... 20,000 2 cruisers (b)..... 10,016 4 destroyers..... 4,876 4 submarines..... 2,396 1 training ship..... 3,545
1931	1 aircraft carrier..... 14,500 4 cruisers (a)..... 39,825 2 submarines..... 2,230		2 cruisers (b)..... 17,000 3 destroyers..... 4,104 2 submarines..... 2,800 2 torpedo boats..... 1,054 2 mine sweepers..... 984 3 mine layers..... 1,329	1 cruiser (a)..... 10,000 3 cruisers (b)..... 21,086 6 destroyers..... 15,286 10 submarines..... 9,862 2 patrol gunboats..... 3,638 4 sub chasers..... 692	1 cruiser (a)..... 10,000 2 cruisers (b)..... 13,882 4 destroyers..... 5,796 19 submarines..... 13,709 1 submarine chaser..... 339
1932	3 destroyers..... 4,120		1 submarine..... 1,900 1 torpedo boat..... 527	1 battle cruiser..... 26,500 1 destroyer..... 2,569 4 submarines..... 3,652 1 patrol gunboat..... 1,969 1 net layer..... 2,293 1 transport..... 2,118	2 cruisers (b)..... 14,565 3 submarines..... 3,993

¹ Washington Treaty signed Feb. 6, this year.

² London Treaty signed on Apr. 22. Ratified Dec. 31.

Ships laid down each year by the 5 principal naval powers, as of Nov. 15, 1939—Continued

[Hearings before Naval Affairs Committee, 76th Cong., 3d sess., on H. R. 8026]

	United States	British Empire	Japan	France	Italy
	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>
1933.....	1 cruiser (a)..... 9,375 8 destroyers..... 12,900 4 submarines..... 5,250	6 cruisers (b)..... 38,275 18 destroyers..... 24,760 6 submarines..... 6,380 9 patrol gunboats..... 8,410 1 river gunboat..... 226 3 trawlers..... 1,903 1 destroyer tender..... 8,750 3 cruisers (b)..... 23,470 9 destroyers..... 12,175 2 submarines..... 3,710 6 patrol gunboats..... 5,450 5 trawlers..... 2,958	1 cruiser (b)..... 8,500 5 destroyers..... 6,840 4 submarines..... 4,900 1 torpedo boat..... 527 2 subchasers..... 600 2 mine sweepers..... 984 1 sub tender..... 10,060 1 aircraft carrier..... 10,050 1 cruiser (b)..... 8,500 3 destroyers..... 4,104 6 submarines..... 8,800 1 large mine layer..... 4,400 3 torpedo boats..... 1,785 1 mine sweeper..... 492 1 seaplane carrier..... 9,000 1 cruiser (b)..... 8,450 8 destroyers..... 11,340 1 mine sweeper..... 492 1 submarine chaser..... 270	3 cruisers (b)..... 22,800 3 destroyers..... 1,830 1 surveying ship..... 719 1 battleship..... 26,500 1 cruiser (b)..... 7,600 10 destroyers..... 10,648	2 cruisers (b)..... 15,748 2 destroyers..... 1,276 2 battleships..... 70,000 4 destroyers..... 2,588
1934.....	2 aircraft carriers..... 39,600 1 cruiser (a)..... 9,400 1 cruiser (b)..... 9,475 21 destroyers..... 32,380 2 patrol gunboats..... 4,000	1 aircraft carrier..... 22,000 4 cruisers (b)..... 32,570 9 destroyers..... 12,225 3 submarines..... 2,860 8 patrol gunboats..... 6,790 1 net layer..... 2,900 1 submarine tender..... 172 1 store ship..... 5,150 1 boom vessel..... 385 5 cruisers (b)..... 48,400 24 destroyers..... 40,540 5 submarines..... 5,895 10 patrol gunboats..... 8,045 1 trawler..... 696 1 sub tender..... 8,900 2 survey ships..... 1,660 5 oilers..... 86,564 6 boom vessels..... 4,400 2 ocean tugs..... 1,680 1 training ship..... 250 1 tender..... 805	1 aircraft carrier..... 10,050 5 destroyers..... 7,500 5 torpedo boats..... 2,975 3 submarine chasers..... 510 1 seaplane carrier..... 9,000	1 battleship..... 35,000 1 destroyer..... 610 1 battleship..... 35,000 5 destroyers..... 8,880 2 submarines..... 1,402 6 patrol gunboats..... 3,780	9 destroyers..... 6,885 12 submarines..... 7,552 1 patrol gunboat..... 2,172 1 coastal torpedo boat..... 59 4 motor torpedo boats..... 142
1935.....	1 cruiser (a)..... 10,000 7 cruisers (b)..... 67,800 14 destroyers..... 21,680 5 submarines..... 6,600	1 aircraft carrier..... 22,000 4 cruisers (b)..... 32,570 9 destroyers..... 12,225 3 submarines..... 2,860 8 patrol gunboats..... 6,790 1 net layer..... 2,900 1 submarine tender..... 172 1 store ship..... 5,150 1 boom vessel..... 385 5 cruisers (b)..... 48,400 24 destroyers..... 40,540 5 submarines..... 5,895 10 patrol gunboats..... 8,045 1 trawler..... 696 1 sub tender..... 8,900 2 survey ships..... 1,660 5 oilers..... 86,564 6 boom vessels..... 4,400 2 ocean tugs..... 1,680 1 training ship..... 250 1 tender..... 805	1 aircraft carrier..... 10,050 5 destroyers..... 7,500 5 torpedo boats..... 2,975 3 submarine chasers..... 510 1 seaplane carrier..... 9,000	1 battleship..... 35,000 5 destroyers..... 8,880 2 submarines..... 1,402 6 patrol gunboats..... 3,780	19 destroyers..... 16,701 14 submarines..... 10,472
1936 ¹	1 aircraft carrier..... 14,700 1 cruiser (b)..... 10,000 6 destroyers..... 10,050 7 submarines..... 9,985	5 battleships..... 175,000 4 aircraft carriers..... 92,000 6 cruisers (b)..... 32,700 15 destroyers..... 25,540 9 submarines..... 8,160 7 patrol gunboats..... 6,465 3 river gunboats..... 1,840 1 trawler..... 521 1 submarine tender..... 8,900 2 survey ships..... 1,600 1 oiler..... 17,210 11 boom vessels..... 8,030 2 ocean tugs..... 1,140 4 miscellaneous auxiliaries..... 2,404 7 cruisers (b)..... 50,900 8 destroyers..... 14,900 7 submarines..... 7,630 9 patrol gunboats..... 7,900 2 store ships..... 2,200 2 river gunboats..... 1,170 1 destroyer tender..... 11,000 9 boom vessels..... 4,770	2 battleships..... 76,000 1 aircraft carrier..... 15,000 6 destroyers..... 9,400 1 seaplane carrier..... 9,000 5 cruisers (b)..... 44,000 1 large mine layer..... 6,000 1 submarine..... 2,000 1 mine layer..... 720 4 mine sweepers..... 2,520 1 repair ship..... 9,000	1 destroyer..... 1,772 2 submarines..... 2,202 3 patrol gunboats..... 1,924 1 aircraft carrier..... 18,000 2 destroyers..... 3,544 6 submarines..... 5,594 11 patrol gunboats..... 9,642 18 subchasers..... 2,112 5 oilers..... 30,600 1 target ship..... 2,500	18 destroyers..... 23,514 18 submarines..... 14,569 1 mine sweeper..... 188 25 motor torpedo boats..... 509 2 motor mine sweepers..... 140
1937 ²	1 battleship..... 35,000 14 destroyers..... 21,350 6 submarines..... 8,750	5 battleships..... 175,000 4 aircraft carriers..... 92,000 6 cruisers (b)..... 32,700 15 destroyers..... 25,540 9 submarines..... 8,160 7 patrol gunboats..... 6,465 3 river gunboats..... 1,840 1 trawler..... 521 1 submarine tender..... 8,900 2 survey ships..... 1,600 1 oiler..... 17,210 11 boom vessels..... 8,030 2 ocean tugs..... 1,140 4 miscellaneous auxiliaries..... 2,404 7 cruisers (b)..... 50,900 8 destroyers..... 14,900 7 submarines..... 7,630 9 patrol gunboats..... 7,900 2 store ships..... 2,200 2 river gunboats..... 1,170 1 destroyer tender..... 11,000 9 boom vessels..... 4,770	1 aircraft carrier..... 10,000 5 destroyers..... 8,500 2 subchasers..... 600 1 mine layer..... 1,500 2 mine sweepers..... 1,260	1 aircraft carrier..... 18,000 2 destroyers..... 3,544 6 submarines..... 5,594 11 patrol gunboats..... 9,642 18 subchasers..... 2,112 5 oilers..... 30,600 1 target ship..... 2,500	2 battleships..... 70,000 6 submarines..... 6,036
1938.....	1 battleship..... 35,000 14 destroyers..... 22,330 4 submarines..... 5,800 2 destroyer tenders..... 18,900 1 seaplane tender..... 8,625 3 tugs..... 3,450 2 oilers..... 13,300	7 cruisers (b)..... 50,900 8 destroyers..... 14,900 7 submarines..... 7,630 9 patrol gunboats..... 7,900 2 store ships..... 2,200 2 river gunboats..... 1,170 1 destroyer tender..... 11,000 9 boom vessels..... 4,770	1 aircraft carrier..... 10,000 5 destroyers..... 8,500 2 subchasers..... 600 1 mine layer..... 1,500 2 mine sweepers..... 1,260	1 aircraft carrier..... 18,000 2 destroyers..... 3,544 6 submarines..... 5,594 11 patrol gunboats..... 9,642 18 subchasers..... 2,112 5 oilers..... 30,600 1 target ship..... 2,500	2 battleships..... 70,000 6 submarines..... 6,036
1939 ³	2 battleships..... 70,000 1 aircraft carrier..... 19,800 12 destroyers..... 19,550 7 submarines..... 9,650 3 sub chasers..... ? 2 minesweepers..... 1,300 1 submarine tender..... 9,250 1 seaplane tender..... 8,625 1 oiler..... 8,000	2 battleships..... 80,000 2 aircraft carriers..... 37,750 6 cruisers (a)..... 42,900 4 destroyers..... 6,760 3 minelayers..... 7,950 20 patrol gunboats..... 18,150 1 destroyer tender..... 11,000 3 boom vessels..... 1,590 1 ocean tug..... 840	1 battleship..... 45,000 2 destroyers..... 3,400 2 submarines..... 4,000	1 battleship..... 35,000 4 destroyers..... 3,976 1 oiler..... 9,000	3 cruisers (b)..... 10,086 6 submarines..... 6,206
Total.....	190 ships..... 767,290	450 ships..... * 1,528,053	238 ships..... * 740,108	263 ships..... * 679,506	284 ships..... 528,376

¹ London Treaty 1936 signed on Mar. 25, 1936. 56² London Treaty of 1936 effective July 29, 1937.³ Built for Maritime Commission. Taken over by Navy on completion.⁴ To Nov. 15.⁵ To be built for the Maritime Commission and to be taken over by the Navy on completion.⁶ Information not available concerning tonnage laid down in Great Britain and France since the outbreak of war.⁷ The tonnage laid down by the Japanese since 1936 undoubtedly exceeds that shown in this table, as Japan has released no information on her navy since the expiration of the London Naval Treaty on Dec. 31, 1936.NOTE.—This table does not include the following ships which have been laid down since Jan. 1, 1922, and have subsequently been lost: United States—Gunboat *Panay*, 450 tons. British Empire—Submarines *Posidon*, 1,475 tons; *Ozley*, 1,354 tons. Japan—Destroyers *Suvarabi*, 820 tons; *Miyuki*, 1,700 tons; submarine *I-63*, 1,635 tons. France—Submarines, 1,379, 552, and 1,379 tons; minelayer, 4,773 tons.The following ships, not shown in the above table, have been converted to aircraft carriers since 1922: United States, 2, totaling 66,000 tons; British Empire, 2, totaling 45,000 tons, including *Courageous* (lost); Japan 2, totaling 53,800 tons; France, 1 of 22,146 tons.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. BUCK. I yield.

Mr. DISNEY. Was not considerable show made about reduction of the tax rate during that period of time?

Mr. BUCK. I was about to come to that.

Mr. DINGELL. And did they not make large refund of taxes?

Mr. BUCK. Yes; refunds, too, but I have not time to go into refunds in 5 minutes or to more than touch the subject raised by the gentleman from Oklahoma, but there was a very considerable reduction in taxes during the Harding

administration which saved large taxpayers money at the expense of the United States Government. It ill behooves my friends on the Republican side to come in here today and object to the necessity—and it is a necessity—of our financing the rebuilding of the armed forces of the United States.

Mr. MOTT. Mr. Chairman, will the gentleman yield for a question?

Mr. BUCK. Briefly.

Mr. MOTT. In view of the fact the gentleman from California and others have stated that the necessity for increasing the debt limit at this time is brought about on account of the huge additional expenditures we have to make for national defense, would the gentleman in the circumstances object to an amendment providing a limitation on obligations to be incurred other than expenditures for national defense say of \$55,000,000,000?

Mr. BUCK. The gentleman is in accord with that portion of the minority views dealing with reduction of non-military expenses, I will say that much. I, like the gentleman from Virginia [Mr. ROBERTSON], have voted very strictly for economy as far as I could, but I do not believe any such amendment as the gentleman from Oregon has in mind would be acceptable to me, if the gentleman wants a direct answer.

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. BUCK. If anybody wants to know further the necessity for national defense I call his attention to the headlines appearing in this afternoon's paper which show that German planes have raided Iceland, a land only 1,000 miles from this shore and only 400 miles from Greenland. Now consider, gentleman, whether you do or do not need national defense. If you need it you have got to pay for it. I do not care what counties in Michigan have to pay or anyone else has to pay, the bill has got to be paid. I am going to have to pay more myself. It has got to be paid for. If you do not pay for it and we get into a disastrous war, labor will have none of its gains left, capital will have nothing to earn, and you might just as well make up your mind that you cannot have your cake and eat it too. I hope we can have the cake of the United States to keep for many generations to come. [Applause.]

Mr. BENDER. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I would not have asked for this time had it not been for the speech of the distinguished gentleman from California who referred to the era between 1920 and 1932. It would be well for him to refresh his memory, to examine the platform of the Democratic Party of 1932, which severely criticized the administration then existing for spending too much money for defense purposes.

Mr. BUCK. Mr. Chairman, the gentleman having mentioned my name, will he yield?

Mr. BENDER. I yield.

Mr. BUCK. When we get into the House—because I cannot make the request in the Committee—I shall ask permission to insert in the RECORD the Senate hearings so everybody may be informed on the subject.

Mr. BENDER. In 1932 the Democratic Party took us to task for spending too much money for defense. Adolf Hitler came into power almost at the same hour the Roosevelt administration came into power. Throughout those 8 long years our defenses were so woefully neglected that the last Congress, from June until September, had to appropriate \$16,000,000,000 for defense purposes. I say this only to keep the record straight. We need to remind ourselves that if the last Congress had done what the administration wanted them to do, by adjourning last May, these defense appropriations would not have been provided.

A statement of the gentleman from Tennessee also deserves attention. He said, and I quote:

One of the chief arguments for this bill is to allow a degree of flexibility to the Secretary of the Treasury.

It seems to me we have had altogether too much flexibility, especially in our thinking, regarding these appropriations. We have not permitted the right hand to know what the left hand was doing. Certainly, they want to support the Secretary of the Treasury, and I want to support him, too, but I want to subscribe to the argument that he made before the Ways and Means Committee prior to the time this bill was reported, when he cautioned the Congress to cut all nondefense appropriations. However, when the independent offices appropriation bill came before us, instead of cutting that appropriation as the Secretary of the Treasury admonished us, we raised the ante \$385,000,000.

The gentleman from Tennessee stated there were certain fixed charges, and he cited the interest charge of \$1,250,000,000. Of course, the more you spend, the more your interest charge will be, and that is exactly the point we make here today. We do not want to cut defense appropriations, but we do want to cut non-defense appropriations, and by cutting nondefense appropriations we will be cutting down the interest charge. Maybe it will only amount to a few million dollars, but we will be taking a step in the right direction.

Mr. GIFFORD. Will the gentleman yield?

Mr. BENDER. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. The gentleman from Tennessee spoke about \$4,000,000,000 and stated that there were only \$2,000,000,000 where we could have economy. Did the gentleman notice that the Army and Navy, for ordinary expenses, have a billion dollars apiece, and now they have transferred that apparently to the defense expenditures, trying to make us think those ordinary expenditures are now all defense expenditures and new? They are not new.

Mr. BENDER. The gentleman is absolutely right. We must use a magnifying glass, as the Secretary of the Treasury suggests. [Applause.]

[Here the gavel fell.]

Mr. KNUTSON. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, I hope the gentleman from California was not trying to indict the Republicans in his remarks. We have

not at any stage of the game fought a legitimate defense program. Our opposition to these enormous expenditures arose almost entirely from the fact that we objected to the "boondoggling" and waste that has characterized the New Deal from the time it first took office.

Mr. BUCK. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from California.

Mr. BUCK. My remarks applied to the time the Republicans held office, not since that time, and I was not indicting the Republicans because they had already been convicted.

Mr. KNUTSON. Mr. Chairman, if the gentleman had read the newspapers, as a Member of Congress should, to be informed, he would know that from 1921 to 1935 we were operating under the Treaty of Washington, whereby we agreed voluntarily to limit all armament among the great powers. We were living up to the treaty that was entered into at that time. Of course, I realize that with the New Dealers a treaty does not mean anything unless it carries a great big appropriation to be spent.

Mr. REED of New York. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from New York.

Mr. REED of New York. The gentleman from California is trying to indict us Republicans for coming into power with the enormous debt which we inherited, and he is criticizing us for reducing the debt a billion dollars a year and reducing taxes five times that amount.

Mr. KNUTSON. Yes; and the people are going to turn to us in 1942 to wipe out some of these red figures in the National Budget. We will balance the Budget.

Mr. SMITH of Ohio. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I am not going to use the full 5 minutes. I wish to say merely that the bill before us today is a tragic farce.

The proposal to raise the debt limit from \$49,000,000,000 to \$65,000,000,000 cannot help but deceive the American people. This will no doubt lead them to believe the present Federal debt does not exceed \$49,000,000,000.

In a recent radio address I said the officially stated public debt is, roundly, \$65,000,000,000, which includes State and local debts amounting to about \$20,000,000,000. But the Federal Government is in debt for a great deal more than it gives out in its official statement.

The truth is the Federal debt already existing is more than \$66,000,000,000, not counting certain other debt items amounting to more than \$3,000,000,000 and not counting at least \$10,000,000,000 of defense appropriations and authorizations which, though not spent, are contracted for, and not offset by any taxes, and are, therefore, just as much a part of the debt as if the sums appropriated and authorized were spent.

This also does not include about \$6,000,000,000 of Government-guaranteed securities.

The following shows the items—but still not all of them—which under strict accounting and in accordance with the Federal laws must be included in the direct Federal debt:

(1) Officially stated Federal debt	\$45,000,000,000
(2) "Gold certificate" liabilities	20,000,000,000
(3) Treasury currency in circulation not "secured" by so-called gold certificates	3,000,000,000
(4) Overstatement by the Treasury of the general operating fund balance	1,700,000,000
(5) U. S. Housing Authority appropriations and authorizations	800,000,000
(6) Defense appropriations and authorizations at least	10,000,000,000
Total	80,500,000,000

Some of these items require explanation to be understood.

Item 2. Very few people in this country know that the Treasury has up to now not paid a single dime for the gold it has been receiving since the gold-buying program began in 1934. The cost of all this gold is being carried by the depositors of the banks. It is actually the depositors of the banks who are paying foreigners the high price of \$35 an ounce for their gold.

But the law does not say the depositors of banks shall pay for the gold. It says in the clearest words the gold shall be paid for by the Treasury.

About \$14,500,000,000 worth of gold has been imported which is directly chargeable to the Federal Government. In addition, the banks are carrying liabilities in the form of Federal Reserve notes in the amount of about 5.5 billion dollars, which, by law, are also a direct liability of the Federal Government.

Item 3. This currency consists mostly of silver certificates and silver coins, and is a direct liability of the Federal Government because the law provides its value must be maintained at gold parity.

Item 4. The daily Treasury statement of the general operating fund balance was given December 31, 1940, as, roundly \$2,000,000,000. Actually on that date there was less than \$300,000,000 in the general balance fund. These figures were obtained through the General Accounting Office. The difference of 1.7 billion dollars must be added to the Federal debt.

The above debt figure of more than \$80,000,000,000 does not include about six billions of Government-guaranteed securities. It does not include certain items involved in the thirty-odd lending and spending agencies which under proper accounting procedure should be included as debt. It does not include the State and local debts amounting to, roundly, twenty billions.

It will be said the Treasury holds twenty-two billions in gold; that this nearly offsets the gold certificate and Treasury currency liabilities; that, therefore, the officially stated debt is not altered.

But no one knows what the real value of the gold is, nor can anyone know until it is given back to the banks and people and allowed to find its value in a free market.

This is true because of the abnormally high price which the bank depositors have been forced to pay for this gold, and the abnormally large amount of gold now held by the Treasury.

Indeed, the gold hoard now held by the Treasury and the whole gold policy that is involved make this gold not an asset but a menace to our entire economy. It has already caused great damage to bank deposits and set in motion an endless process of evil and corruption.

Anyway, until the gold is paid out to the banks and the people the so-called gold certificates and Treasury currency are as much a part of the Federal debt as Government bonds.

The public should know these facts. They should not be misled into believing that the raising of the debt limit to \$65,000,000,000 means the debt is now still under the present limit of forty-nine billions. They should know that it is already above the limit of sixty-nine billions, where this bill pretends to place it. Therefore, this bill to raise the debt limit has no meaning whatever.

Moreover, this whole debt process has produced a highly diseased and dangerous condition in our banking system.

About 25 percent of all deposits in the commercial banks are wholly inflation and represent no assets or security whatever.

About 25 percent of the deposits are created by the Government's inflationary scheme of deficit financing by the simple means of depositing bonds in the banks and checking against those bonds.

Only about 50 percent of the deposits in the commercial banks represent actual savings and real assets or value.

The people throughout the land should know about all these conditions.

I believe it is the duty of all informed persons to tell the people these facts, to spread far and wide the whole truth about our debt and finances. Only when a sufficient number of the people have been informed will it be possible to do anything about it.

Here is the greatest threat to America, our gigantic and ever-mounting debt, the inflation of bank deposits, and disordered condition of our money and credit.

The foundation of our whole economy, of our military defense, yes, of aid to Britain, is our finances and Treasury. In the long run the condition of this foundation will determine the effectiveness of each and every one of these.

The future of everything we have, and our whole way of life are now being threatened by national bankruptcy—the interests of labor, agriculture, and all industry; of our institutions, Government, and liberty.

Mr. JOHNS. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, since I have been a Member of Congress I have talked a great deal about the expenditures of the Government and why they should be reduced. I want to take just a moment of the time this afternoon to talk to you about the

people back home who are going to have to pay this debt, and also about the investors who may want to buy some of these bonds. The Speaker of the House said something here in connection with the lend-lease bill that I think is worth thinking about, and I quote the following language which I wish you would think over seriously:

Does not the gentleman fear that if we write this amendment into the bill, carrying the tremendous figure of \$7,000,000,000, the critics of the Congress may say, many of them not recognizing the difference between an authorization and an appropriation, that we have written a blank check to the President of the United States for \$7,000,000,000?

I am wondering if we raise this limit here from the present \$49,000,000,000, by let us say \$11,600,000,000, as the gentleman from Tennessee has talked about this afternoon, or if we raised it \$16,000,000,000, what are the investors of this country going to think about that, and what are the people back home going to think about the taxes they will have to pay to meet these obligations? If we had been thinking about economy, and if we had talked about it more during the past 8 years and reduced the expenses of running the Government as they should have been reduced, we would not now be talking about raising the debt limit today.

I call attention also to the fact that the \$65,000,000,000 which is required, as they say, would not be necessary, because the estimates ending on June 30, 1942, are \$58,367,000,000, as stated this afternoon. I cannot figure out any reason, and I do not believe anybody else can, for raising the debt limit when Congress is going to be in session next January, and probably will be in session all of this year. I think it would be more preferable to raise the debt limit to \$60,000,000,000 at this time, which would be a safe figure up until at least June 30, 1942. I think the people of this country might appreciate that much more than if we added another \$5,000,000,000 for contingencies. It has been my observation here that no matter what we place the debt limit at it does not take us very long to reach that amount. Therefore, I hope an amendment to that effect will be offered, as I expect it will be, and that we will vote for a \$60,000,000,000 debt limit. I believe that will satisfy the people back home, without making the limit \$65,000,000,000.

I think it would be well for the committee to realize that we have not fully recovered from our participation in the last World War and we are now asked to raise the debt limit so that we may participate in the second. It would be well for you to know that in 1916, just before we entered the first World War, the appropriation to run our Government was \$1,114,490,704.09. The interest on our obligations for the present fiscal year will be more than it took to run our Government in 1916. Our public debt in 1916, just before we entered the last World War, was \$1,225,145,568. The interest item in the Budget for the fiscal year ending in 1942 is \$1,225,000,000, within \$145,000 of the amount of our public debt in 1916. Our public debt, at

the close of business on February 6, 1941, was approximately \$34,000,000 less than \$46,000,000,000. To this, add the guaranteed obligations of the Government amounting to approximately \$6,000,000,000 more.

We are now asked to raise our debt limit during peacetime. Will we be asked to raise it again in another 2 years—or when we start fighting? We are already in the war, as we have become the munitions arsenal for the world at the suggestion of the President of the United States.

I think it might be well for the Members of Congress to go home and read a little history, especially the causes of the French Revolution, and for a time, at least, reflect on these causes and think about the things that are going on in this country at the present time that are very similar to what took place in France before the revolution there. In making this statement, may I add that I do not expect a revolution in this country. We are supposed to be the most highly civilized people in the world and the best educated, and that is one reason that we are more tolerant and will stand more misery than almost any other people in the world before we resent it.

Our deficit for the fiscal year, up to the close of business on February 6, was \$3,166,574,328.49—within a few million dollars of a billion dollars more than it was at the same time a year ago. I think it might be well for us to go slowly with our increasing of the public debt and give the people an opportunity to get used to it gradually. According to the official statements, we will only need a debt limit of about \$58,500,000,000 by June 30, 1942, and we have plenty of time to increase the debt limit between now and then, if it becomes necessary. [Applause.]

[Here the gavel fell.]

Mr. KEEFE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I like to be realistic in viewing this situation. It seems to me that we can all afford to consider just a moment exactly what we are proposing to do. It seems to me from some of the suggestions that have been made that there is some confusion in the minds of some people as to just what this bill proposes.

Mr. Chairman, we have heretofore appropriated billions of dollars to be spent. The responsibility for these appropriations rests with the Congress, not with the Secretary of the Treasury, Mr. Morgenthau. You have directed the expenditure of certain sums of money, rightfully or wrongfully. There may be those who, like myself, think we are now approaching the time when we are going to be compelled to face the prodigality of expenditure in the past 8 years, but that is water over the dam at the present time. That money has been spent, and we have now appropriated money for national defense, which you and I have voted for. I resent the implication contained in the statement of the gentleman from California that we on the Republican side have been reticent about voting these appro-

priations. There has not been a dissenting voice raised on the Republican side against any appropriation for national-defense purposes.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. KEEFE. I cannot yield now; just one moment.

The Secretary of the Treasury in appearing before the subcommittee of the Appropriations Committee considering the Treasury appropriation bill was interrogated upon this very question. It seems to me the only question here before us today is, Shall we increase this debt limit to \$60,000,000,000 or shall we increase it to \$65,000,000,000? Certainly, unless the Government of the United States is going to repudiate its obligations, the debt limit must be increased. That is all there is to it.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. KEEFE. I cannot yield in the short time I have.

Mr. BUCK. The gentleman mentioned my name.

Mr. KEEFE. And I do not want to be disturbed, either, if you please.

I have before me the testimony of the Secretary of the Treasury in which he estimated that the debt limit, in his judgment, as given to our committee, should be \$55,000,000,000. You will have an opportunity to read it when you get these hearings of the Treasury subcommittee of the Appropriations Committee. He admits that there will be some necessity for future financing due to the appropriations made by this Congress. Shall the appropriations be jumped to \$65,000,000,000 or, as the Secretary himself stated, will the \$60,000,000,000, perhaps, \$58,000,000,000 plus, be sufficient at the present time?

The Secretary was asked when he was before our committee the specific question whether or not he was advocating a debt limit of \$65,000,000,000. I ask you to read his answer, given in reply to an interrogation by the gentleman from Indiana [Mr. Ludlow], the chairman of that committee. He very definitely stated that he was not advocating a debt limit of \$65,000,000,000, but simply wanted to show the committee the facts.

Mr. KNUTSON. Read the statement.

Mr. KEEFE. I will ask leave to extend my remarks, and place it in my remarks at the proper time.

I want to be fair about this thing and look at it realistically. I think there is only one question as far as raising the debt limit is concerned, and that is, should it be jumped up to \$65,000,000,000 now, or would it be sufficient to take care of all the appropriations that can be spent by the end of the fiscal year 1942 if you hike the debt limit to \$60,000,000,000?

I have given careful consideration to the testimony of the Secretary of the Treasury, who is charged with the responsibility of floating these bonds and providing for the financing of the Government, but I may say that I cannot find anything in his testimony before our committee which will justify the assertion that we must have a debt limit of \$65,000,000,000 now. I know that it is

coming in the future, but I believe we should delay action in raising it above \$60,000,000,000 at the present time. [Applause.]

[Here the gavel fell.]

Mr. BUCK. Mr. Chairman, I ask that the time of the gentleman be extended one-half minute so I can thank him for his extreme courtesy.

Mr. KEEFE. The gentleman has done that without the extension.

Mr. CRAWFORD. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I dislike to take the time of the House, but the chairman of the committee was gracious enough to give me approximately 45 minutes when this bill was before the committee for hearings, and I wish to make three or four comments pertaining to certain language in the bill.

This bill does two primary things: First, it permits us to increase the debt limit to \$65,000,000,000, and second, it permits the Secretary of the Treasury to sell through the Postal Service or otherwise United States savings bonds and Treasury savings certificates. We have at the present time moving out of the Treasury to the people of this country the type of savings bond which I hold in my hand, which are called baby bonds or savings certificates. When the Treasury issues these pieces of paper, they show on their face the amount that is paid for them and the amount of interest which they will pay from time to time. In other words, after this certificate has been outstanding 60 days, the washwoman or the bootblack or the elevator operator or the millionaire who holds it can take it to the Post Office, sign it on the back, send it to the Treasury, and get back his \$18.75 on a \$25 baby bond, sold on what I would call a discount basis, without interest.

The Secretary can sell to the Postal Service these savings bonds or Treasury savings certificates on an interest-bearing basis or on a discount basis or on a combination interest-bearing and discount basis.

This is what I protested against before the committee. First, the Secretary can also issue rules and regulations to fix the amount of savings bonds and savings certificates that may be held by any one person at any time. The present law restricts such holdings to \$10,000 of an issue in a given year. However, as I interpret the language of this bill, the Treasury can issue rules and regulations which will permit the sale of these savings bonds or certificates to commercial banks in sums of \$50,000 or \$100,000 or \$1,000,000 or \$1,000,000,000, and I do not believe we should do that. I do not believe we should dump into the portfolios of the commercial banks of this country savings certificates or savings bonds where the price of that paper is guaranteed against decline. I am in favor, however, of guaranteeing the cost price against decline in market value to the people who draw out their savings to buy this paper.

Mr. SOUTH. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Texas.

Mr. SOUTH. That matter becomes of practically no importance, however, does it not, since this issue of bonds is to be taxed, whereas the income from the baby bonds referred to is not taxable?

Mr. CRAWFORD. Oh, no; I disagree with the gentleman, because when we come out with a proposition of saying to the investing committees of our commercial banks and lending institutions that when you buy Government paper we guarantee that against market decline, to me that is a very fundamental departure from the procedure we have heretofore followed under our capitalistic system, and I do not believe in it, because I think if that program is established it will bring into the management of the banks of this country loose policies, loose lending policies, and eventually other additional burdens on the Treasury of the United States, and I think it is poor procedure and unsound procedure and I do not think we should do it; but let me repeat that when we sell these bonds and savings certificates to the poor people, to the middle class, and when we induce them to take their savings through high-pressure advertising campaigns, which I understand will be put on by the Secretary of the Treasury as soon as the money is appropriated, and coerce them in that manner or in some other manner to buy these bonds, then I think the Treasury should protect those small investors against market decline and prevent terrific losses such as were suffered under the Liberty Loan purchases.

I do not know of any way we can get it changed in this bill, but I voice my protest against it just the same. [Applause.]

[Here the gavel fell.]

The Clerk read as follows:

Sec. 2. (a) Section 21 of the Second Liberty Bond Act, as amended, is further amended to read as follows:

"Sec. 21. The face amount of obligations issued under the authority of this act shall not exceed in the aggregate \$65,000,000,000 outstanding at any one time."

(b) The authority granted in the following provisions of law to issue obligations is terminated:

(1) Section 32 of the act entitled "An act to provide ways and means to meet war expenditures, and for other purposes," approved June 13, 1898, as amended (U. S. C., 1934 ed., title 31, sec. 756) (authorizing the issue of \$300,000,000 certificates of indebtedness);

(2) Section 6 of the First Liberty Bond Act, as amended (U. S. C., 1934 ed., title 31, sec. 755) (authorizing the issue of \$2,000,000,000 certificates of indebtedness); and

(3) Section 6 of the Second Liberty Bond Act, as amended (U. S. C., 1934 ed., title 31, sec. 757) (authorizing the issue of \$4,000,000,000 of war savings certificates).

(c) Section 301 of title III of the Revenue Act of 1940 (54 Stat. 526) (creating a special fund for the retirement of defense obligations) is repealed.

Mr. BOREN. Mr. Chairman, I offer an amendment.

Mr. CROWTHER. Mr. Chairman, I offer an amendment, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. CROWTHER: On page 1, line 8, strike out "\$65,000,000,000" and insert "\$60,000,000,000."

Mr. CROWTHER. Mr. Chairman, I do not think there is any necessity of making

any extended explanation of this amendment. We have commented on its necessity, as we look at it, in the minority report and we think that it is the sensible thing to do at this time.

Everybody in this House knows the wide difference between an authorization and an appropriation. The latter are the ones that call for fresh outlays and if you will give attention to the information given to the committee by the Secretary of the Treasury, you will find it is very doubtful—and in a press statement he has said the same thing—if the amount involved can be spent as fast as they apprehended in the year 1941 and the early part of 1942, and that the total necessities up to that time will not exceed \$58,000,000,000. Therefore we think the \$60,000,000,000 is entirely adequate.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. CROWTHER. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. Does the gentleman recall the argument here on Saturday about the \$7,000,000,000 ceiling on the amendment offered by the gentleman from New York [Mr. WADSWORTH], wherein it was stated that if you provide a ceiling of \$7,000,000,000, your leaders said that they will say that we can spend the \$7,000,000,000 and then proceed to do that? Think of that argument.

Mr. CROWTHER. Let me say that this \$16,000,000,000, as suggested by the proponents of this bill, does not contemplate any expenditures regarding H. R. 1776.

Mr. GIFFORD. But throw their words back into their teeth. If they set a limit of \$65,000,000,000 they will spend up to that limit and say that there is no need of new taxes. Why should they not be consistent with respect to what they said here on Saturday?

[Here the gavel fell.]

Mr. ROBERTSON of Virginia. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I feel that the amendment just proposed springs either from a misunderstanding of our current commitments or else it carries out the theory of the distinguished Republican who said in general debate here, "Let us give them a quarter at a time, and when they spend that they can come back for more."

When you consider the unexpended appropriations in the 1940 Budget, the actual appropriations of the 1941 Budget, and the pending Budget for 1942 you will find that it adds up to \$64,896,000,000, which, out of \$65,000,000,000, would leave \$104,000,000 for our plan to render substantial aid to the hard-pressed democracies of the world.

I have received these figures this morning from a responsible official of the Treasury Department, and I think they are accurate. I went to that source to get them because you could not read our hearings and obtain the information. I heard all the witnesses, and I read the hearings, and tried to add up just what we needed by way of a debt limit, and here are the actual figures:

The unexpended balance in the 1940 Budget \$3,300,000,000, the 1941 Budget, \$15,100,000,000; the 1942 Budget \$15,-

065,000,000; and in this Budget we find, on page 881, that the Bureau of the Budget will shortly send us a supplemental estimate of \$3,500,000,000 for our own national defense.

As the distinguished gentleman from Wisconsin [Mr. KEEFE], who just spoke, said, what has already been spent is water under the dam. It is certainly below the dam, and it has no bearing now on our present situation. I am speaking, I admit, about appropriations, and when we make an appropriation it has gone beyond our control, and only the executive department can then stand between us and the actual expenditure of that money.

Without one dollar of aid for Great Britain we have in process of appropriation \$64,896,000,000, and under those circumstances it seems utterly absurd for us to say, "No; we will give them a quarter now, and when they spend that let them come back for another quarter." We know that we are not going to make any substantial savings in the Budget that has been presented to us. Our past experience has been that we will come nearer exceeding the Budget than we will reducing it, and I tell you that we have made commitments already, when we adopt the pending Budget, that can carry our debt to \$64,896,000,000.

Mr. COOPER rose.

Mr. ROBERTSON of Virginia. I yield to my colleague from Tennessee.

Mr. COOPER. I invite attention to the following statement appearing on page 37 of the hearings. The Under Secretary of the Treasury, Mr. Bell, made the following statement in response to an inquiry by the gentleman from Ohio [Mr. JENKINS]:

Mr. BELL. If you take the appropriations that are now on the books, the estimates of appropriations which are included in the Budget, we will need a debt limitation of approximately \$63,000,000,000. And there will be about three and one-half billion of estimates submitted to the Congress for national-defense projects and other purposes during this session; and if you add them to the sixty-three billion, it will give you in the neighborhood of sixty-six billion, covering appropriations already made and which have been or will be submitted to the Congress for that period.

Mr. ROBERTSON of Virginia. Mr. Chairman, I appeal to this House: Do not make a farce of our proposal to aid Great Britain, and do not force us to come here for another debt-raising bill when the lease-lend bill becomes a law, as it will. I have given you the figures of our commitment of \$36,965,000,000. Against that you can deduct receipts of \$7,013,000,000 and estimated receipts of \$8,275,000,000 for 1941 and 1942, respectively; in all, \$15,288,000,000, which leaves \$21,677,000,000, which, added to the present debt of \$43,219,000,000, makes total commitments on a basis of appropriations of \$64,896,000,000. We should have a debt limit of \$65,000,000,000.

Mr. BOREN. Mr. Chairman, I rise to a parliamentary inquiry. I want it thoroughly understood that I recognize fully the custom of members of the committee being recognized ahead of any other Member on the floor, not a member of the committee. I am quite willing to withdraw my amendment for that pur-

pose, but as I understood it the gentleman from Tennessee [Mr. COOPER] rose to make the point of order that my recognition at that time was not in order. I understood the Chair sustained the point of order and recognized the gentleman from New York [Mr. CROWTHER]. I should like to be enlightened as to under what rule of the House that point of order is sustained after the Chair had recognized me for the purpose of offering an amendment.

The CHAIRMAN. The gentleman from New York [Mr. CROWTHER] is a member of the committee reporting the bill and, therefore, entitled to prior recognition.

Mr. NICHOLS. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. NICHOLS. Is there a rule of the House that gives the members of the committee the right to recognition ahead of other Members of the House? Is that a rule of the House?

The CHAIRMAN. It is a procedure of long standing.

Mr. NICHOLS. It is not a rule of the House.

The CHAIRMAN. In the absence of other considerations, members of the committee in charge of the bill are entitled to prior recognition. The rule is essential to expedition in legislation and its importance is too obvious to require justification.

Mr. BOREN. Mr. Chairman, I move to strike out the last word. I want it thoroughly understood that I have no objection at all to withdrawing my amendment and letting a minority member of the committee offer his amendment, because I understand they are the same. I simply wanted to be cited to the rule of the House that would sustain the position taken.

My position I can announce in a couple of sentences. As unpleasant as the task will be I feel that we should stop raising debts and squarely face the problem of raising money to pay c. o. d. for what we have on order. [Applause.] I am sorry that only gentlemen on my left seem to agree with me, as that is where the applause comes from, but I think we should quit thumbing a ride with the next generation and start to pay the cost of our fare now. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. CROWTHER) there were—ayes 76, noes 133.

Mr. CROWTHER. Mr. Chairman, on that I demand tellers.

Tellers were ordered, and the Chair appointed Mr. CROWTHER and Mr. DOUGHTON to act as tellers.

The Committee again divided; and the tellers reported—ayes 105, noes 148.

So the amendment was rejected.

Mr. VOORHIS of California. Mr. Chairman, I offer the following amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California: Page 1, line 4, strike out all of section 2 and insert in lieu thereof the following:

"Sec. 2. (a) The Secretary of the Treasury of the United States is hereby authorized and directed forthwith to purchase the capital stock of the 12 Federal Reserve banks and branches, and agencies thereof, and to pay to the owners thereof the par value of such stock at the date of purchase.

"All member banks of the Federal Reserve System are hereby required and directed to deliver forthwith to the Treasurer of the United States, by the execution and delivery of such documents as may be prescribed by the Secretary of the Treasury, all the stock of said Federal Reserve banks owned or controlled by them, together with all claims of any kind or nature in and to the capital assets of the said Federal Reserve banks, it being the intention of this section to vest in the Government of the United States the absolute, complete, and unconditional ownership of the said Federal Reserve banks.

"There is hereby authorized to be appropriated, out of any funds not otherwise appropriated, such sums as may be necessary to carry out the purposes of this subsection.

"(b) The Board of Governors of the Federal Reserve banks shall purchase from the Treasury such amounts of non-interest-bearing obligations of the United States as may be necessary, in addition to revenue derived from taxation, to provide funds for the national defense and other expenditures of the United States for which appropriation is made by the Congress."

Mr. COOPER. Mr. Chairman, it is my purpose to make a point of order against the amendment. However, I will reserve it, if the gentleman desires.

Mr. VOORHIS of California. I would appreciate it if the gentleman would reserve the point of order.

Mr. COOPER. I reserve a point of order against the amendment, Mr. Chairman.

Mr. WHITE. Mr. Chairman, I make the point of order that the House is not in order.

The CHAIRMAN. The House will be in order. The gentleman from California is recognized for 5 minutes.

Mr. VOORHIS of California. Mr. Chairman, first I would like to express my appreciation to the gentleman from Texas [Mr. PATMAN] for yielding to me, to the gentleman from Tennessee [Mr. COOPER] for reserving the point of order, and to the gentleman from Idaho [Mr. WHITE] for asking for order.

There is only one major point that I shall make.

Before I make my major point, let me say that I wish this bill could be considered in two parts. This is an epoch-making bill in that it contains provision for taking away the tax-exemption feature from Federal securities. I think we are taking an important step, and one that should be taken. I am for that portion of the bill. I wish we had far more time, however, in which to discuss it.

The one major point which I shall make—and I beg the House to please listen for only 4½ minutes—is this: Whenever credit or money is created against the resources of a whole nation, that credit creation should be performed by a public body and without the contraction of an interest burden or an interest-bearing debt. My amendment is designed for that purpose. Various gentlemen continuously make the point that the Federal Reserve banks do, to all intents and purposes, belong to the Government. As a matter of fact, of course,

the United States Government owns not one penny of the stock of these institutions. But if the gentlemen persist in taking the position which they do, then why not purchase for \$136,000,000 the capital stock of those 12 central institutions? At present those 12 central banks create credit, and with that credit they purchase not only the paper of member banks but also the interest-bearing obligations of the United States. Those bonds of the United States can, under present law, be used as security for an issue of Federal Reserve notes, and those notes are obligations of the United States, though issued by and for the benefit of private banks. Hence, when the Federal Reserve banks buy interest-bearing bonds of the United States, they obviously buy them with the credit of the people of the United States and of the Government itself.

I have here a paper by Mr. Goldenweiser, chief research expert of the Federal Reserve Board, entitled "The Nature of the Federal Reserve Banks," in which he says:

A Reserve bank, on the other hand, derives the funds available for its loans and investments from powers conferred upon it by Congress. The capital it has is prescribed by Congress and constitutes a small part of the funds at its disposal. The other source of funds of the Reserve banks is its power to issue notes and to accept and create deposits.

Note, please, the words "create deposits." It is with these created deposits that bonds of the United States are bought.

My contention is that if any institution in the United States is to enjoy the right to create credit, to create deposits, in order to purchase the obligation of the whole American people, that institution should be a public institution; that now, while we are attempting to marshal the resources of the Nation in a great defense program—manpower, industry, agricultural resources—all over the country, we should at least retain the right to use the credit of our own people without the necessity of paying interest on it.

To those gentlemen who have objected that they do not want to raise the debt limit as we are doing in this bill, let me remind you if you do not want to raise the debt limit as we are doing in this bill, I offer you here an alternative which is necessary for you to consider.

May I read you the concluding paragraph from an article in the Atlantic Monthly, entitled "Living by Deficit"? It is a very worth-while article by Prof. Harold M. Fleming. It reads as follows:

Among the questions on which we need adventurous thinking is how to crystallize the new circumstances into actual formal machinery such as we had with the gold standard. Another is whether, in order to avoid the indefinite accumulation of debt service, the Government might not defray some of its deficits with non-interest-bearing, legal-tender notes. The inhibition on them used to be their danger to the gold standard. The inhibition today would be their effect on commodity prices. That might be a fruitful subject for economic speculation, if a path could be cleared to it through the cluttings of outmoded monetary preconceptions.

May I underline the words "indefinite accumulation of debt service," and "clutterings of outmoded monetary precon-

ceptions." It is time, gentlemen, for us to think and to think hard.

May I say, in conclusion, that you have your choice between contracting and interest-bearing debt or a non-interest-bearing debt any time you want to make that choice. The provisions of section 2 of this bill are not the only answers to our problem.

The danger of inflation is one which can always be forestalled by proper measures of taxation. And that is the best method of all to use. Inflation takes place when you put money in circulation faster than commodities are flowing through your factories and off of your farms, and through the markets of the Nation. And inflation will come even more certainly if you insist on basing your money on interest-bearing debt, than if you put it in circulation without contracting interest-bearing debt. For the greatest incentive to inflation in all the world is an interest-bearing debt which a people begins to regard as insupportable.

Sound money is money which continuously buys, year after year, approximately the same amount of real goods. This is all that matters, and you can have sounder money if you base it directly on the credit of a great nation than you can if you base it on an interest-bearing debt.

I wish I had an hour to speak. I could use the hour, I am sure, with profit. For in my opinion, the very future of our constitutional democracy depends upon our willingness to think and act with vision and courage about this central problem of our monetary system.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment.

Mr. WHITE rose.

The CHAIRMAN. Does the gentleman from California care to be heard on the point of order?

Mr. VOORHIS of California. Very briefly, if I may.

The CHAIRMAN. For what purpose does the gentleman from Idaho rise?

Mr. WHITE. In view of the time taken by interruptions, I ask unanimous consent that the gentleman be allowed to proceed for 5 additional minutes.

Mr. VOORHIS of California. I would not ask for that, Mr. Chairman, but I would like to be heard for about 2 minutes on the point of order.

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. VOORHIS of California. Mr. Chairman, it occurs to me—

Mr. COOPER. Mr. Chairman, has the gentleman from California concluded his statement in support of his amendment?

Mr. VOORHIS of California. There is a great deal more I could say on this subject, but I have concluded for the time being.

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment offered by the gentleman from California on the ground that it is not germane either to the section to which offered or to the bill. There is certainly nothing in the bill that would justify or authorize an amendment of this kind providing for the purchase of stock in the Federal Reserve System, and the many other matters contained in the amend-

ment that are entirely foreign to the bill under consideration.

The CHAIRMAN. The gentleman from Tennessee makes the point of order against the amendment that it is not germane either to the bill or to the section where offered. Does the gentleman from California desire to be heard on the point of order?

Mr. VOORHIS of California. I do.

The CHAIRMAN. The Chair will hear the gentleman briefly.

Mr. VOORHIS of California. Mr. Chairman, my amendment provides only two things, not "many other things." It provides first for the purchase of the 12 Federal Reserve banks. The reason this is included in the amendment is to make more orderly the carrying out of the second portion of the amendment providing for the purchase by the Federal Reserve Board of non-interest-bearing obligations of the United States Treasury.

In view of the fact that this bill provides for an increase in the debt limit for the purpose of enabling us to finance our Government and the expenditures the gentleman from Tennessee so ably pointed out to us, it seems to me it is a germane proposal to suggest, as I have done in this amendment, an alternative method of accomplishing precisely the same purpose.

The 12 central Federal Reserve banks are to be purchased for the purpose of implementing the method of securing credit which is described in the second portion of my amendment which states that the Federal Reserve Board shall purchase non-interest-bearing obligations from the Treasury.

This amendment it appears to me has as much germaneness to the central problem dealt with in this bill as an amendment could possibly have.

The CHAIRMAN (Mr. CANNON of Missouri). The amendment offered by the gentleman from California clearly treats of matters not under consideration in the bill and is therefore subject to a point of order.

The point of order is sustained.

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: On page 1, line 8, after the quotation marks, add the following: "Provided, however, That the Secretary of the Treasury may in his discretion issue non-interest-bearing obligations of the United States instead of interest-bearing obligations to provide all or any of the funds for national defense and shall deliver them to the Board of Governors of the Federal Reserve banks and the Board of Governors of the Federal Reserve banks shall purchase such non-interest-bearing obligations so issued at par or face value."

Mr. COOPER. Mr. Chairman, I reserve a point of order against the amendment.

The CHAIRMAN. The gentleman from Tennessee [Mr. COOPER] reserves a point of order against the amendment.

The gentleman from Texas [Mr. PATMAN] is recognized for 5 minutes in support of his amendment.

DISCRETIONARY AMENDMENT

Mr. PATMAN. Mr. Chairman, this proposed amendment makes the issuance

of non-interest-bearing obligations discretionary with the Secretary of the Treasury.

Anyone can safely vote for this amendment. No one ever appeared before this House more sincerely and earnestly believing in the correctness of his position than I appear before you now. I know, however, that many Members have not given this question study. Those who are selfishly interested very quickly condemn anyone with a stock phrase who attempts to expose the greatest of all rackets.

This amendment is prepared in a way that will allow the Secretary of the Treasury to issue non-interest-bearing obligations and turn them over to the Federal Reserve Banking System and receive in return therefor credit which is used today in the same way and manner as the interest-bearing bonds are issued. Thus we save the Government a great deal of money. It is perfectly sound. No one can contend it is unsound. If the interest-bearing bonds are inflationary, this would be inflationary. This is no more inflationary than any other system we have used, so we can run no risk at all by adopting this amendment. The only assurance we shall probably have by its adoption is that the other body, when this question is referred to the appropriate committee, will give serious consideration to what we have recommended. In other words, it is an alternative method that may be used in the discretion of the Secretary of the Treasury. There is nothing compulsory about it. Now let me tell you how far this goes.

This bill we are considering means \$130,000,000,000, not \$65,000,000,000. By the time you pay long-term bonds you pay twice as much. That means you pay as much in interest as you pay in principal. I say it is wrong for that to be done. I say it was never intended that this Government should pay interest on its obligations or that it should issue promises to pay that bear interest. It is not required to do it; it is not necessary; and I personally believe that I would be negligent in my duties as a Member of this distinguished body if I did not insist on non-interest-bearing obligations being issued instead.

The Treasury Department has the Bureau of Engraving and Printing under its jurisdiction. The Bureau prints both kinds of obligations, one non-interest-bearing Federal Reserve notes and the other interest-bearing Government securities. The Treasury sells the interest-bearing obligations to bidders for them and delivers to the banks and the Federal Reserve System especially the non-interest-bearing obligations to buy them with. If anybody in this House will explain to me how that is logical or reasonable I will never open my mouth again about it. You cannot do it, because it is neither logical nor reasonable. It is imbecilic.

Mr. THOMAS F. FORD. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. THOMAS F. FORD. Some of the obligations issued by the Treasury bear 3 percent interest, others one-eighth of 1 percent. Is there any difference in the

basic value of the obligation that bears one-eighth of 1 percent and that which bears 3 percent?

Mr. PATMAN. None at all. The obligations differ, of course, in the matter of maturity dates, the date is different, but that is all, the security is the same.

Mr. THOMAS F. FORD. That is the only difference.

Mr. PATMAN. On non-interest-bearing obligations and on interest-bearing obligations there is exactly the same security behind each, the credit of this Nation. So why should we farm the credit of this Nation out absolutely free and without any cost whatsoever to the private banks and the corporations owned by the private banks of this country? It is absolutely idiotic, Mr. Chairman, and no person can justify it with logic and reason.

Mr. BEITER. Will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from New York.

Mr. BEITER. If the gentleman's amendment is adopted it will save the taxpayers of the country a tremendous amount of money. Does the gentleman believe it would also increase the rate upon deposits in the banks for individuals?

Mr. PATMAN. Of course, you cannot do that. We passed a law making it unlawful for the banks to pay interest on demand deposits. You would put a banker in jail if he paid interest on demand deposits. We also passed a law that the Federal Reserve Board would fix the maximum rates on time deposits of the bank, and they fixed that rate very, very low, so that responsibility is upon us and the banks cannot change it. But the banks do own \$20,000,000,000 of bonds that they have created out of thin air.

Mr. Chairman, I ask that this amendment be agreed to.

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment offered by the gentleman from Texas [Mr. PATMAN], on the ground it is not germane, and I invite the attention of the Chair especially to the latter part of the gentleman's amendment. I concede the first part of the amendment which directs the Secretary of the Treasury to do certain things as specified would be in order, but under the well-established principle that if any part of the amendment is subject to a point of order, of course, the entire amendment is subject to a point of order.

I especially invite the attention of the Chair to the latter part of the amendment which provides:

The Federal Reserve banks and the Board of Governors of the Federal Reserve banks shall purchase such noninterest-bearing obligations so issued at par or face value.

This clearly places upon the Federal Reserve bank a mandatory duty and responsibility which is not embraced within the provisions of the bill and it is not contemplated under the provisions of this bill. Indeed, such a provision as that should properly, and would have to, come from the Banking and Currency Com-

mittee. It would not be within the jurisdiction of the Committee on Ways and Means.

I therefore respectfully submit that the amendment is subject to the point of order.

The CHAIRMAN (Mr. CANNON of Missouri). Does the gentleman from Texas desire to be heard?

Mr. PATMAN. Mr. Chairman, I would like to be heard on the point of order.

Mr. Chairman, this section deals with the issuance of securities for the purpose of raising the funds necessary to provide for our national-defense program, and for other purposes. Under this provision there is nothing said about interest-bearing obligations or non-interest-bearing obligations. In fact, some obligations are issued at a negative rate of interest for a very short term, it is true. It does not deal with interest rates at all. It deals with the issuance of obligations.

The Federal Reserve Banking System has a right and the sole and exclusive right of issuing only one type of United States Government securities. That type of Government security that the Federal Reserve banks have the sole and exclusive right to issue is what is known as the Federal Reserve note, one type of Government obligation which circulates freely every day as money.

This amendment merely provides that the Secretary of the Treasury, who by the way authorizes the issuance of these Federal Reserve notes—they are delivered to the Secretary of the Treasury and he in turn delivers them to the Federal Reserve banks—shall issue non-interest-bearing bonds instead and deliver those bonds to the Federal Reserve Banking System. The Federal Reserve Banking System will then deliver back to him some of the very same securities that he has theretofore delivered to the Federal Reserve Banking System or give the proper credit on the books which may be checked on. It is a detail for the purpose of carrying into effect the object of the amendment, which is the same object proposed in the bill. There is no difference. One is the payment of interest and the other is the issuance of non-interest-bearing securities which will not provide for the payment of interest, and I insist, Mr. Chairman, that the amendment is in order.

The CHAIRMAN. The Chair is ready to rule.

The fact that an amendment and the provision in the bill to which the amendment is offered have a common purpose and are directed toward the same objective is not conclusive.

The amendment proposed by the gentleman deals with a subject to which there is no reference in the text to which offered, and is, therefore, not germane to the bill.

The Chair sustains the point of order.

Mr. PATMAN. Mr. Chairman, I offer another amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 1, at the end of the period and quotation marks in line 8, insert the following: "Provided, however, That any such obligations so issued shall not afford an investment yield in excess of 3 percent per annum, compounded semiannually."

SMALL PURCHASERS WILL HAVE LIMIT ON AMOUNT OF INTEREST THEY RECEIVE BUT NO SUCH LIMIT ON LARGE PURCHASERS

Mr. PATMAN. Mr. Chairman, if you will notice the bill, page 3, lines 21 to 25, inclusive, the savings-bond and savings-certificate holders may not receive more than 3-percent interest. That is for the little man. They involve small loans. Now, it occurs to me that in the case of small loans there would be more reason for the granting of a higher rate of interest than there would be in the case of the much larger loans. So I desire to place some limitation as to interest on the big bonds and securities that the members of this committee themselves are placing on the savings bonds and certificates sold to individuals or the public in smaller amounts.

I believe that one of the objects of this bill—and I do not claim there is any impure motive involved in it—and one of the main reasons that many of the people are advocating this bill is for the purpose of causing high interest rates. I refer to that part that will cause taxes to be paid on Government securities hereafter issued.

I have good reasons for that belief. You can take your own Government statistics and look back over a period of years and you will discover that all interest rates follow Government securities. It is true that Government securities are much lower, but there is a definite and a constant spread representing the difference between the amount paid on Government securities and the amount paid by farmers and home owners and individuals. So this provision, section 4, will have a tendency to raise interest rates. Therefore, I ask that you place a ceiling on this interest rate, the same kind of ceiling that the committee has placed as to the purchasers of the savings bonds and the savings certificates. I cannot see for the life of me why the committee would object to that. Are you going to say that the small man cannot receive more than 3 percent, but you are going to leave it wide open to where the big man, who would normally receive a lower rate, could receive 4 and 5 and 6 percent? I cannot see any reason why the committee would oppose it, and I hope the committee will adopt this amendment. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the amendment offered by the gentleman from Texas is adequately taken care of in the bill. I feel that there is no reason for such an amendment. Therefore, I ask for a vote.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Texas.

Mr. PATMAN. Is it not a fact that the 3-percent ceiling applies only to the bonds and certificates you are issuing that will be sold to the public, such as were sold in the Liberty Loan drive during the war, and that the limitation you are placing on them of not to exceed 3 percent does not apply to the other securities referred to in section 2? If I am mis-

taken about that, of course, I would not ask for the amendment.

Mr. DOUGHTON. I may say to the gentleman that the 3-percent limitation applies only to the two types of securities authorized by section 3 of the bill. These securities are United States savings bonds and United States Treasury savings certificates which section 3 provides for. This limitation is the same as the interest limit placed on baby bonds in the original act.

Mr. PATMAN. Does the gentleman believe that the same limit applies to those other bonds?

Mr. DOUGHTON. It applies only to those to which it is specifically related, namely, the two types authorized by section 3.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The amendment was rejected.

Mr. EDWIN ARTHUR HALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. EDWIN ARTHUR HALL: On page 1, line 8, after the period, and before the quotation marks, insert "Congress hereby declares that under conditions existing on the enactment of the Public Debt Act of 1941 all necessary expenditures of the Federal Government can be made and thereafter continue to be made without further increasing the amount of such obligations which may be outstanding at any one time; and unless the President by proclamation declares that such conditions have materially changed and that a further increase in such amount is necessary by reason of such changed conditions, the President in making estimates for appropriations shall limit such estimates, and the various departments, agencies, and instrumentalities of the United States shall administer appropriations, in such manner as will not require a further increase in such amount."

Mr. COOPER. Mr. Chairman, I reserve a point of order against the amendment.

Mr. EDWIN ARTHUR HALL. Mr. Chairman, there is nothing complicated about this amendment. It is simply a clear-cut opportunity for every Member to go on record as to whether or not he is in favor of raising the debt limit beyond \$65,000,000,000 under the existing conditions. I question very much whether anything else could have been provided for under the existing debt total—that is, the total which will exist after this bill is voted upon. Certainly, every exigency has been anticipated as far as civil expenditures go, and from the standpoint of military expenditures I cannot conceive of allowing very much more at the present time. Everything has been taken care of. For this reason, I believe it is high time that this Congress went on record as being absolutely determined to curtail any further expenditures or going into debt any further at this juncture.

There is a provision in this amendment that in the event conditions seriously change, enough to warrant any increase in the debt limit, the President by proclamation can issue a call to the Congress and demand that consideration be given to an increase. However,

this is an opportunity, Mr. Chairman, for every Member of the Congress at this time to put his foot down once and for all on going into debt beyond the \$65,000,000,000. This is a most serious period. I have many times maintained that the first line of our country's defense is our financial security. Where the limit is, I do not know. Just how far the debt limit can be stretched is a matter of conjecture. Certainly, I have never run across any individual who could tell. There is one certainty, however, that we cannot keep on indefinitely going into the red without the danger of inflation raising its dragon head.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. EDWIN ARTHUR HALL. I yield to the gentleman from Michigan.

Mr. WOLCOTT. May I say that the expert testimony before the Committee on Banking and Currency in 1933 was that if we ever approached \$40,000,000,000 as the national debt, we should do so with caution, otherwise we would be in a condition of semibankruptcy.

Mr. EDWIN ARTHUR HALL. I thank the gentleman for that observation. It is absolutely true. It is further true that we have provided for just about every exigency that can possibly be imagined. Now, for the second time in 7 months, we are faced with the problem of increasing the debt limit. Therefore this will create a precedent for going further into the hole on the slightest pretext in the future.

I ask the consideration of the entire membership on this amendment, if the gentleman from Tennessee will be kind enough not to insist on his point of order.

By pegging for all time the amount at which the country is to stop, look, and listen, and to find other methods of financing our gigantic expenditures besides by deficit we will be doing our people a service that will go down in history as a definite step in saving the fiscal structure of our Nation.

The CHAIRMAN. Does the gentleman from Tennessee insist on his point of order?

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment that it is not germane. In the first place, it is a stump speech that has no place on any bill of this importance. Further, I invite the attention of the Chair to the fact that it seeks to bind future Congresses irrevocably, which is absurd, of course. Also, the amendment seeks to place certain duties on the President of the United States which are not contemplated under this bill or even dealt with in this bill.

The CHAIRMAN. The point of order is sustained.

The Clerk will read.

The Clerk read as follows:

Sec. 3. Section 22 of the Second Liberty Bond Act, as amended (U. S. C., title 31, sec. 757c), is amended to read as follows:

"Sec. 22. (a) The Secretary of the Treasury, with the approval of the President, is authorized to issue, from time to time, through the Postal Service or otherwise, United States savings bonds and United States Treasury savings certificates, the proceeds of which shall be available to meet any public expenditures authorized by law, and to retire any

outstanding obligations of the United States bearing interest or issued on a discount basis. The various issues and series of the savings bonds and the savings certificates shall be in such forms, shall be offered in such amounts, subject to the limitation imposed by section 21 of this act, as amended, and shall be issued in such manner and subject to such terms and conditions consistent with subsections (b), (c), and (d) hereof, and including any restrictions on their transfer, as the Secretary of the Treasury may from time to time prescribe.

"(b) Savings bonds and savings certificates may be issued on an interest-bearing basis, on a discount basis, or on a combination interest-bearing and discount basis and shall mature, in the case of bonds, not more than 20 years, and in the case of certificates, not more than 10 years, from the date as of which issued. Such bonds and certificates may be sold at such price or prices, and redeemed before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe: *Provided*, That the interest rate, on, and the issue price of, savings bonds and savings certificates and the terms upon which they may be redeemed shall be such as to afford an investment yield not in excess of 3 percent per annum, compounded semi-annually. The denominations of savings bonds and of savings certificates shall be such as the Secretary of the Treasury may from time to time determine and shall be expressed in terms of their maturity values. The Secretary of the Treasury is authorized by regulation to fix the amount of savings bonds and savings certificates that may be held by any one person at any one time.

"(c) The Secretary of the Treasury may, under such regulations and upon such terms and conditions as he may prescribe, issue, or cause to be issued, stamps, or may provide any other means to evidence payments for or on account of the savings bonds and savings certificates authorized by this section, and he may make provision for the exchange of savings certificates for savings bonds.

"(d) The provisions of section 7 of this act, as amended (relating to exemptions from taxation), shall apply to savings bonds issued before the effective date of the Public Debt Act of 1941. For purposes of taxation any increment in value represented by the difference between the price paid and the redemption value received (whether at or before maturity) for savings bonds and savings certificates shall be considered as interest. The savings bonds and the savings certificates shall not bear the circulation privilege.

"(e) The appropriation for expenses provided by section 10 of this act and extended by the act of June 16, 1921 (U. S. C., title 31, secs. 760 and 761), shall be available for all necessary expenses under this section, and the Secretary of the Treasury is authorized to advance, from time to time, to the Postmaster General from such appropriation such sums as are shown to be required for the expenses of the Post Office Department, in connection with the handling of savings bonds, savings certificates, and stamps, or other means provided to evidence payment therefor.

"(f) No further original issue of bonds authorized by section 10 of the act approved June 25, 1910 (U. S. C., title 39, sec. 760), shall be made after July 1, 1935.

"(g) At the request of the Secretary of the Treasury the Postmaster General, under such regulations as he may prescribe, shall require the employees of the Post Office Department and of the Postal Service to perform, without extra compensation, such fiscal agency services as may be desirable and practicable in connection with the issue, delivery, safe-keeping, redemption, or payment of the savings bonds and savings certificates, or in connection with any stamps or other means provided to evidence payments."

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN, page 3, line 12, after the period following the word "prescribe", add the following: "Provided, however, That savings bonds and savings certificates shall be redeemable at any time before maturity and after 60 days after the date of issue on demand at any bank or trust company the deposits of which are insured by the Federal Deposit Insurance Corporation. The redemption price shall be not less than the amount paid for such savings bond or savings certificate plus interest to the first day of the month preceding the month during which redemption occurs. The Secretary of the Treasury shall reimburse any such bank or trust company for amounts disbursed for redemption under this section."

PROTECT THE SMALL PURCHASER

Mr. PATMAN. Mr. Chairman, I desire to invite your attention to the fact that this bill originally had a provision in it which would entice the money from the Postal Savings into this new type of security that is to be issued. That provision was left out of this bill because the Treasury discovered they could do it anyway. I objected to this provision without proper safeguards when I appeared before the Ways and Means Committee on the bill, January 30, 1941. So we know that one of the intentions of those who would carry on this program is to make an offer to those who have postal savings to the amount of \$1,200,000,000 today that will be so attractive that they will withdraw those postal savings and invest them in these new types of bonds and certificates. All right; I do not object to that. It is perfectly all right with me, but there is another provision in this bill which says that the Secretary of the Treasury may prevent the transfer of these bonds and certificates that they purchase. In other words, after they get their money out of Postal Savings and invest it in this new type of securities, the Secretary of the Treasury can then freeze them exactly where they are. They will not be negotiable, they cannot be transferred, and you will have that much frozen funds in every community in this Nation. So, I offer an amendment which provides that they may, since they can be frozen in their hands, do exactly as they can do under existing law. After 60 days' notice they can take these bonds and securities to any bank whose deposits are insured by the Federal Deposit Insurance Corporation and turn in these bonds and savings certificates and receive their money for them, 100 cents on the dollar, plus the accrued interest.

There is nothing wrong about the proposal. They can do it now substantially under existing law. So why entice them to take their money from an agency where they can redeem their savings at any time and put their funds into another investment where they can be frozen. It is not in the interest of this country that this be done and it should not be done. These funds should be liquid and therefore this amendment, in order to assure their liquidity, should be adopted.

Mr. BEITER. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. BEITER. In the colloquy that occurred a few moments ago between the gentleman from Texas and the chairman of the Ways and Means Committee, did I understand that the gentleman's amendment was taken care of according to the opinion of the legislative counsel?

Mr. PATMAN. I was assured by the chairman of the Ways and Means Committee that the legislative counsel had informed him that the same ceiling applied on the other securities as on the savings bonds and savings certificates.

Mr. DOUGHTON. If the gentleman will permit, I would like to clear up that misunderstanding. The ceiling mentioned does not apply to the other securities—only to those specifically provided for in section 3.

Mr. PATMAN. I think the gentleman should agree to the amendment, then, because he certainly would not want to be placed in the position of not letting an amendment be adopted—

Mr. DOUGHTON. The gentleman can have another vote on it if he wants to.

Mr. PATMAN. Because I believe the same ceiling would apply to both those sold to the public and those sold to the banks.

Mr. DOUGHTON. If the gentleman thinks his amendment would be adopted, I have no objection to another vote.

Mr. BEITER. I think the chairman's statement certainly had some influence on the membership of the House, and I believe the gentleman is entitled to a vote on it.

Mr. DOUGHTON. That is all right, because I would not want to do the gentleman any injustice.

Mr. PATMAN. I hope the gentleman will accept this amendment, which will give these people a liquid market for their bonds and not permit at any time the funds to be frozen in their hands. I hope the Committee will accept this amendment.

Mr. DUNCAN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, if this amendment were adopted it would destroy the very purpose for which this bill is passed, that is the raising of money with which to meet the Treasury obligations. In other words, these bonds would become legal tender and 60 days after issue when they have been acquired by the purchasers it would be necessary for the Treasury Department to have on deposit a sufficient amount of money not only to meet the face value of these bonds, but also to meet the obligation of accrued interest. Therefore, every 60 days there would have to be a sufficient amount of additional bonds sold to be ready to redeem the bonds that were issued 60 days before that. It seems to me it would be decidedly inflationary if an enormous sum of money could be put into circulation in this manner. The amendment is perfectly plain as to what its effects would be upon the whole program and I ask that it be defeated.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. I yield.

Mr. COOPER. I will ask the gentleman if it is not true that for all practical purposes this would make these bonds just about the same as currency?

Mr. DUNCAN. Practically the same thing.

Mr. COOPER. And, furthermore, how can you require these local banks to pay these bonds every time they are presented to them? Maybe they do not want to do that.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. Yes.

Mr. PATMAN. The amendment provides that the banks will have to reimburse, and they should render service. The Government is rendering service to every bank that has deposits that are insured, and the Government paid for the initial capital for that purpose. The banks should be willing to render some service.

Mr. DUNCAN. I think that would be a matter that the banks could determine for themselves. I ask for a vote.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The amendment was rejected.

The Clerk read as follows:

SEC. 4. (a) Interest upon, and gain from the sale or other disposition of, obligations issued on or after the effective date of this act by the United States or any agency or instrumentality thereof shall not have any exemption, as such, and loss from the sale or other disposition of such obligations shall not have any special treatment, as such, under Federal tax acts now or hereafter enacted; except that any such obligations which the United States Maritime Commission or the Federal Housing Administration has, prior to the effective date of this act, contracted to issue at a future date, shall when issued bear such tax-exemption privileges as were, at the time of such contract, provided in the law authorizing their issuance. For the purposes of this subsection a Territory, a possession of the United States, and the District of Columbia, and any political subdivision thereof, and any agency or instrumentality of any one or more of the foregoing, shall not be considered as an agency or instrumentality of the United States.

(b) The provisions of this section shall, with respect to such obligations, be considered as amendatory of and supplementary to the respective acts or parts of acts authorizing the issuance of such obligations, as amended and supplemented.

Mr. PATMAN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 5, at the end of section 3, strike out all of section 4, commencing with line 20, page 5, and ending with line 12, page 6.

TAXING FEDERAL SECURITIES BY FEDERAL GOVERNMENT ONLY

Mr. PATMAN. Mr. Chairman, this is a question of taxing Federal securities only by the Federal Government. This provision alone would not mean a great deal. I doubt if it would mean enough even to have a controversy over it; but I know what the object is, as expressed by the Secretary of the Treasury before

the committee. This is just getting the camel's nose under the tent. He frankly admits that—that the object next is to bring in a bill that will tax State, municipal, and other political-subdivision securities. That is the real object, and then the tax will be levied not only by the Federal Government, but will also permit the States that levy an income tax to levy a tax on them, too. I can see in that a great evil and a disadvantage and harm to the people. I cannot see in it sufficient benefits. I can see some benefit, it is true, but I cannot see in it sufficient benefits to justify this provision, which is a forerunner to the taxing of all of the other securities and by States as well as the Federal Government.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Yes.

Mr. COOPER. I am afraid I misunderstood the gentleman. Did the gentleman say that this authorizes the States and the municipalities to tax Federal securities?

Mr. PATMAN. I said it did not. I said, however, eventually that is what this is leading to. This provision of the bill would not mean anything as it is, because the interest that you pay extra because of the taxing provision would be much more than the tax that you would get back, so that you would just be paying out under it a large amount and bringing back from the tax collector a small part of it.

Many people for a number of years have advocated this thing, because they know it will harden or increase interest rates, and as they increase their interest rate on Government securities, interest rates generally will be increased, they would profit by it, and for that reason they have encouraged anything in the direction of increasing the interest rates on Government, State, and other securities. I invite attention to the fact that this goes much further than just the language seems to indicate. If you will notice the bill provides that not only shall the Federal Government tax Federal Government securities but also securities issued by any instrumentality or agency of the Federal Government. That means that the R. E. A. cooperatives of your district, if they issue any bonds or securities, will issue securities that are taxable, and will therefore pay a higher rate, and then if the R. F. C. wants to buy those bonds and the R. F. C. sells other bonds for the purpose of getting the money to buy them, those also will have to pay taxes and will carry a much higher rate. So your local cooperative will have double taxation to pay. This also applies to the Farm Credit Administration. If you pass this provision you may expect an increase in the interest rate on farm securities, and the Federal land banks, and all interest rates to the farmers. You may expect increased rates on the Commodity Credit Corporation loans, and also on any of the obligations that are sold by any agency of the Federal Government, including the intermediate credit banks, the cooperative banks, the Federal land banks, the Farm Credit Administration, and all other agencies of the Federal Government. It is in the direction of in-

creased interest rates. I submit that it sounds mighty good to say, "Oh, we want to tax these fellows; they have coupons that they are clipping all of the time from Government bonds that they are not paying any taxes on." But if tax exemption enables the Government to sell bonds at a rate of interest that will not only save the Government money on those particular bonds, and more money than if the Government paid higher interest and collected taxes on them, and will also keep the scale of interest rates down generally, I would hesitate to make them taxable.

I plead with you that if you believe in the low interest we have been privileged to enjoy through the R. E. A., the Farm Credit Administration, the Commodity Credit Corporation and all the rest of the Federal agencies, you should, for the time being, strike this out, and then if they want a program of taxing all securities that are now tax-exempt, let them bring in a full and completed program for that purpose and not start with just the camel's nose under the tent. If I am shown that the people will profit more from any proposed plan to tax all securities now exempt from taxation, I shall be glad to vote for it.

SHIFTING THE TAX BURDEN

Suppose a city in the future will be compelled to pay a higher rate of interest on its bonds because the holders of the bonds will have to pay taxes on them both to the Federal Government and to the city, county, and State where the holders reside. The city votes bonds for needed public improvements, including health and hospital facilities; the bonds will doubtless provide a much higher rate of interest because they will be taxable by the Federal Government and by local governments where the owners reside; the money to pay the interest, including the increased interest by reason of the removal of the tax-exempt feature, must be paid by local residents and property owners in that town. Many cities levy and collect what is known as an ad valorem tax for such purposes. That means one who has bought a home but has not paid for it—only owes for the home—will have to pay taxes on it as though he owned it to pay this increased interest. Other taxes, equally burdensome, including sales taxes, are levied and collected upon the poorest people in a city and State and those least able to pay for the purpose of paying the expenses of the city or State, including interest on the bonded debt.

Therefore the tendency to make States, counties, cities, and political subdivisions pay taxes on improvement bonds is a step in the direction of not only making the poorest people in our country help support the Federal Government by paying a tax on what they owe—not necessarily on what they own—but also to help support the cities of the rich where the owners of the bonded indebtedness reside.

LOCAL INDEBTEDNESS SHOULD BE REFINANCED

Instead of the Federal Government penalizing the people in a State or city by making them pay increased interest rates on their public-improvement bonds,

as proposed, the Federal Government should refinance all existing indebtedness against them for one-eighth of 1 percent interest or less through the use of the Government's credit. It can safely be done, and the local tax burden greatly reduced. The change could well include all future issues of bonds whose proceeds are to be used for worthy public purposes.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the adoption of this amendment will eliminate from the bill the provision that would subject future issues of Government securities to the Federal income tax. That is very clear. That is one of the main provisions of this bill. The overwhelming majority of the American people are convinced that under the present law, which wholly or partially exempts the income from Government securities from the Federal income tax, creates a privileged class or accords to certain taxpayers a privileged status. The present provision is intended to remove that discrimination and to place all taxpayers on the same level and let each and all of them, in accordance with their ability, make the same contribution to the support of their Government. This is the time, in my opinion, when that step should be taken.

The gentleman from Texas [Mr. PATMAN] says it is the forerunner of taxing also State and municipal securities. Of course, we can cross that bridge when we get to it.

The gentleman from Texas [Mr. PATMAN] further says that the Government will lose more than it will gain. Those in the Treasury Department who are familiar with this situation estimate that if this provision is retained in the law, and these future issues of Government securities are subject to tax the same as any other income, the Government will have a net gain of about \$100,000,000 per annum. That is the estimate made by the Treasury officials.

Mr. PATMAN. Will the gentleman yield for a question?

Mr. DOUGHTON. Yes; I yield.

Mr. PATMAN. Is it not a fact that the Treasury says after all bonds have been refunded? In other words, \$65,000,000,000 of bonds, then we will collect \$100,000,000 annually on interest?

Mr. DOUGHTON. Oh, no; I do not understand them to take that stand at all. Why would they want it if there is to be no gain? If there is not a privileged class of taxpayers, why would this measure be opposed? Of course, it is not fair for a certain class of American citizens—they may be Government employees, but people who have invested their salaries in Government securities—to thereby avoid making any contribution to the support of their Government? That is a condition that has obtained entirely too long.

Mr. PATMAN. Will the gentleman yield further?

Mr. DOUGHTON. Does the gentleman have any doubt but there is in the minds of the American people the belief

that this law should be so amended that all taxpayers would be placed on the same level?

Mr. PATMAN. But they will escape payment if they do not have an income of more than \$800 for a single man and more than \$2,500 for a married man.

Mr. DOUGHTON. The gentleman did not answer the question. What he refers to is for the benefit of the small taxpayer.

Mr. PATMAN. They would still be exempt.

Mr. DOUGHTON. But these are people who make large purchases of Government securities. I would like to ask the gentleman if he knows any Federal employee who does not have a salary of over \$800? The gentleman is setting up straw men and shooting them down.

Mr. PATMAN. But, of course, they have exemptions. This law will only apply in cases.

Mr. DOUGHTON. Yes; an exemption of \$800 for a single man and \$2,000 for a married man.

Mr. PATMAN. There are not many, I will say.

Mr. DOUGHTON. I am sure the members of the Committee understand this proposition, and I ask for a vote, Mr. Chairman.

[Here the gavel fell.]

By unanimous consent, the pro forma amendment was withdrawn.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. PATMAN].

The amendment was rejected.

The Clerk read as follows:

SEC. 5. This act, except sections 2 (b) and (c), shall become effective on the first day of the month following the date of its enactment.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise. The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANNON of Missouri, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 2959) to increase the debt limit of the United States, to provide for the Federal taxation of future issues of obligations of the United States and its instrumentalities, and for other purposes, directed him to report the bill back to the House with the recommendation that the bill do pass.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the bill to final passage.

The previous question was ordered.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. CROWTHER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CROWTHER. I am in its present form.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CROWTHER moves to recommit the bill H. R. 2959 to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment: Page 1, line 8, strike out "\$65,000,000,000" and insert "\$60,000,000,000."

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The motion to recommit was rejected.

The bill was passed and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. BUCK. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today and to include a table from the Senate hearings.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. BUCK]?

There was no objection.

Mr. ANGELL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial.

The SPEAKER. Is there objection to the request of the gentleman from Oregon [Mr. ANGELL]?

There was no objection.

GENERAL LEAVE TO EXTEND REMARKS

Mr. COOPER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their own remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. COOPER]?

There was no objection.

EXTENSION OF REMARKS

Mr. ELLIS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include certain editorials.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas [Mr. ELLIS]?

There was no objection.

Mr. BEITER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein certain excerpts from a newspaper.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. BEITER]?

There was no objection.

Mr. TAYLOR. Mr. Speaker, I announce to the House that I am inserting in the RECORD the first monthly statement of the expenditures of the Government for the month of January this year, and I ask unanimous consent to extend my remarks in the RECORD to include this statement.

The SPEAKER. Is there objection to the request of the gentleman from Colorado [Mr. TAYLOR]?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, we appreciate the gentleman's action very much.

Mr. TAYLOR. Mr. Speaker, I expect to introduce a statement of the same kind every month.

The SPEAKER. Is there objection to the request of the gentleman from Colorado [Mr. TAYLOR]?

There was no objection.

Mr. WHITE. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD and to include a table by J. P. Gibson, of Colorado.

The SPEAKER. Is there objection to the request of the gentleman from Idaho [Mr. WHITE]?

There was no objection.

Mr. LEAVY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an article by Jay Franklin in today's Washington Star on the subject, Aluminum Output Held Insufficient.

The SPEAKER. Is there objection to the request of the gentleman from Washington [Mr. LEAVY]?

There was no objection.

Mrs. NORTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein the Supreme Court decision concerning the constitutionality of the wage-hour law. I understand this is over the permissible limit, and I ask that it may be included in the RECORD notwithstanding the estimate of the Government Printer.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey [Mrs. NORTON]?

There was no objection.

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein certain excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. LELAND M. FORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and also to state that I may be called out of town tomorrow on a lawsuit but if I were here I would vote for the continuation of the Dies committee.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter by Dr. Harry Emerson Fosdick.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. BOREN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a radio address that I delivered over N. B. C. yesterday.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an article from American Aviation.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. Houston, for today, on account of illness.

ADJOURNMENT

Mr. DOUGHTON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 27 minutes p. m.) the House adjourned until tomorrow, Tuesday, February 11, 1941, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON AGRICULTURE

The Committee on Agriculture will hold a hearing on Tuesday, February 11, 1941, at 10 a. m., on House Joint Resolution 15, in room 1324, New House Office Building.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

The Committee on the Merchant Marine and Fisheries will hold public hearings at 10 a. m. on the following dates on the matters named:

Thursday, February 20, 1941:

H. R. 554, to exempt sail vessels from the provisions of section 13 of the act of March 4, 1915, as amended, requiring the manning of certain merchant vessels by able seamen, and for other purposes. (Manning requirements for sail vessels.)

H. R. 2520, to amend the act entitled "An act to except yachts, tugs, towboats, and unrigged vessels from certain provisions of the act of June 25, 1936, as amended," approved June 16, 1938. (Manning requirements for seagoing barges.)

Friday, February 21, 1941:

H. R. 2074, to amend section 353 (b) of the Communications Act of 1934, as amended. (Experience requirements, radio operators on cargo ships.)

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

192. A communication from the President of the United States, transmitting three supplemental estimates of appropriations for the fiscal year ending June 30, 1941, for the War Department, amounting to \$680,118,000 (H. Doc. No. 74); to the Committee on Appropriations and ordered to be printed.

193. A communication from the President of the United States, transmitting a draft of a proposed provision pertaining to an existing appropriation for the Department of Labor for the fiscal year 1941 (H. Doc. No. 75); to the Committee on Appropriations and ordered to be printed.

194. A communication from the President of the United States, transmitting supplemental estimates of appropriations for the fiscal year 1942 amounting to \$42,180, for the judicial establishment, as amendments to the Budget for the fiscal year 1942 (H. Doc. No. 76); to the Committee on Appropriations and ordered to be printed.

195. A communication from the President of the United States, transmitting deficiency

estimates of appropriations for the fiscal years 1937 and 1939 in the sum of \$788.68 and supplemental estimates of appropriations aggregating \$121,800 for the fiscal year 1941, amounting in all to \$122,588.68, for the judicial establishment (H. Doc. No. 77); to the Committee on Appropriations and ordered to be printed.

196. A communication from the President of the United States, transmitting a draft of a proposed provision pertaining to the appropriation for the Work Projects Administration for the fiscal year 1941 (H. Doc. No. 78); to the Committee on Appropriations and ordered to be printed.

197. A communication from the President of the United States, transmitting supplemental estimates of appropriations for the Legislative Establishment for the fiscal year 1941, amounting to \$75,000 (H. Doc. No. 79); to the Committee on Appropriations and ordered to be printed.

198. A letter from the Acting Secretary of the Interior, transmitting draft of a proposed bill to authorize the Secretary of the Interior to convey the right, title, and interest of the United States in certain property to Cecelia Crow Arquette, an Indian of the Yakima Reservation, or her heirs or assigns; to the Committee on Indian Affairs.

199. A letter from the Secretary of War, transmitting a report relating to divisions of awards for aircraft, aircraft parts, and accessories therefor; to the Committee on Military Affairs.

200. A letter from the Administrator, Veterans' Administration, transmitting draft of a proposed bill to facilitate the making of funds of life-insurance funds available for expenditure and investment; to the Committee on Ways and Means.

REPORTS ON COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. COCHRAN: Committee on Accounts. House Resolution 92. Resolution providing for an additional assistant in the disbursing office of the Clerk of the House; without amendment (Rept. No. 57). Referred to the House Calendar.

Mr. JARMAN: Committee on Printing. Senate Concurrent Resolution 4. Concurrent resolution authorizing the printing of additional copies of Senate Document No. 8, current session, of the report of the committee appointed by the Attorney General to investigate the need for procedural reform in various administrative tribunals; without amendment (Rept. No. 58). Referred to the House Calendar.

Mr. TAYLOR: Committee on Appropriations. H. R. 3204. A bill making additional appropriations for the fiscal year 1941 urgently required for the Work Projects Administration and certain other Federal agencies, and for other purposes; without amendment (Rept. No. 59). Referred to the Committee of the Whole House on the state of the Union.

Mr. LUDLOW: Committee on Appropriations. H. R. 3205. A bill making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1942, and for other purposes; without amendment (Rept. No. 60). Referred to the Committee of the Whole House on the state of the Union.

Mr. HOBBS: Committee on the Judiciary. H. R. 2532. A bill designating the person who shall act as President if a President shall not have been chosen before the time fixed for the beginning of his term, or when neither a President-elect nor a Vice-President-elect shall have qualified; without amendment (Rept. No. 61). Referred to the Committee of the Whole House on the state of the Union.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 874) granting a pension to Charlie Jones, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ARENDS:

H. R. 3206 (by request). A bill to afford greater protection to the purchaser of patent rights; to the Committee on Patents.

By Mr. COFFEE of Washington:

H. R. 3207. A bill to provide a permanent force to classify patents in the Patent Office, and for other purposes; to the Committee on Patents.

By Mr. CURTIS:

H. R. 3208. A bill to provide retirement benefits for certain emergency officers in the World War; to the Committee on World War Veterans' Legislation.

By Mr. HARTER:

H. R. 3209. A bill to provide for reimbursing Portage County, Ohio, for loss of certain taxes by reason of acquisition of land by the United States for the shell-loading plant near Ravenna, Ohio; to the Committee on Military Affairs.

By Mr. HEBERT:

H. R. 3210. A bill creating a commission to hear, determine, and fix the amount of claims against the United States for damages arising out of the white-fringed beetle eradication and control program in the State of Louisiana; to the Committee on Claims.

By Mr. KRAMER:

H. R. 3211 (by request). A bill to limit the life of a patent to a term commencing with the date of the application; to the Committee on Patents.

H. R. 3212 (by request). A bill to improve the practice concerning applications for patents made by plural applicants and patents issued thereon, to provide for applications in certain circumstances by assignees of inventors, and to simplify the formal application papers; to the Committee on Patents.

By Mr. LANHAM:

H. R. 3213. A bill to amend the act of October 14, 1940 (54 Stat. 1125), so as to expedite further the provision of housing in connection with national defense, and to provide public works in relation to such housing and other national-defense activities, and for other purposes; to the Committee on Public Buildings and Grounds.

By Mr. SHANLEY:

H. R. 3214. A bill to amend section 9 of the act of June 10, 1922, so as to provide for counting service in the National Guard of the several States, Territories, and the District of Columbia in computing longevity pay of warrant officers and enlisted men of the Army and Marine Corps; to the Committee on Military Affairs.

By Mr. STEVENSON:

H. R. 3215. A bill to give the Commissioner of Patents power to protect inventors by establishing adequate standards of professional conduct among attorneys; to the Committee on Patents.

By Mr. YOUNGDAHL:

H. R. 3216. A bill to amend title 18, section 563, of the Code of Laws of the United States, so as to provide compensation to attorneys assigned to defend a person indicted for capital crime, or arraigned upon indictment for any felony or gross misdemeanor; to the Committee on the Judiciary.

By Mr. DIMOND:

H. R. 3217. A bill to authorize the construction of a Federal building at Valdez, Alaska; to the Committee on Public Buildings and Grounds.

By Mr. MCINTYRE:

H. R. 3218. A bill providing that excess-land provisions of the Federal reclamation laws and limitations on farm-unit area and water delivery in section 4 (c) (5) of the act of October 14, 1940, amending the act of August 11, 1939 (53 Stat. 1418), shall not apply to lands having irrigation water supply from sources other than a Federal reclamation project and receiving supplemental water supply from such a project or a project under said act of October 14, 1940; to the Committee on Irrigation and Reclamation.

By Mr. SOMERS:

H. R. 3219. A bill to provide for a preliminary examination and survey of the Hackensack River, N. J., with a view to its improvement and development in the interest of the national defense; to the Committee on Rivers and Harbors.

By Mr. LELAND M. FORD:

H. R. 3220. A bill to advance on the retired list officers of the Navy who have served as Governor of Guam or American Samoa; to the Committee on Naval Affairs.

By Mr. BAUMHART:

H. J. Res. 111. Joint resolution providing for the observance of National Inventors' Day and National Advancement Week; to the Committee on the Judiciary.

By Mr. JENNINGS:

H. J. Res. 112. Joint resolution proposing an amendment to the Constitution of the United States forbidding any State or political subdivision thereof to deny or abridge the right of any citizen to vote on account of failure to pay a poll tax or property tax assessed against him; to the Committee on the Judiciary.

By Mr. VOORHIS of California:

H. J. Res. 113. Joint resolution making an additional appropriation for work relief and relief for the fiscal year ending June 30, 1941; to the Committee on Appropriations.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Wyoming, memorializing the President and the Congress of the United States to consider their enrolled Joint Memorial No. 2 with reference to the sugar industry of the United States; to the Committee on Agriculture.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ARNOLD:

H. R. 3221. A bill for the relief of Henry E. Wachtel; to the Committee on Claims.

By Mr. BARRY:

H. R. 3222. A bill to authorize the President to bestow the Navy Cross upon Edward Abrams, former sergeant, United States Marine Corps; to the Committee on Naval Affairs.

By Mr. DARDEN of Virginia:

H. R. 3223. A bill to extend the benefits of the Employees' Compensation Act of September 7, 1916, to Louise Johnson; to the Committee on the Judiciary.

By Mr. FULMER:

H. R. 3224. A bill granting a pension to Catherine Toale Culbertson; to the Committee on Invalid Pensions.

By Mr. HEIDINGER:

H. R. 3225. A bill for the relief of Dale L. Barthel and others; to the Committee on Claims.

By Mr. JENNINGS:

H. R. 3226. A bill for the relief of William C. Reagan; to the Committee on Military Affairs.

H. R. 3227. A bill for the relief of Ulysses Walker, Oby Longmire, and Walter Craig; to the Committee on Claims.

H. R. 3228. A bill for the relief of B. H. George; to the Committee on Claims.

By Mr. KEFAUVER:

H. R. 3229. A bill granting a pension to Bell D. Qualls; to the Committee on Invalid Pensions.

By Mr. KOPPLEMANN:

H. R. 3230. A bill for the relief of Dr. Morris B. Toubman; to the Committee on Claims.

By Mr. KRAMER:

H. R. 3231. A bill to enable Mike Agaloff and others to enter and remain permanently in the United States; to the Committee on Immigration and Naturalization.

By Mr. McGEHEE:

H. R. 3232. A bill for the relief of William Francis Agard; to the Committee on Claims.

H. R. 3233. A bill for the relief of Charles H. Wright; to the Committee on Claims.

By Mr. MAAS:

H. R. 3234. A bill for the relief of Mrs. Lawrence Chlebeck; to the Committee on Claims.

By Mr. MAGNUSON:

H. R. 3235. A bill authorizing Maj. Walter V. Cotchett, United States Army, retired, to accept the decoration and diploma of Commander of the Legion of Honor bestowed upon him by the Government of France; to the Committee on Military Affairs.

H. R. 3236. A bill to enable Eva Sofia Bildstein and her minor son, Jorg Bildstein, to remain permanently in the United States; to the Committee on Immigration and Naturalization.

H. R. 3237. A bill for the relief of Joseph Just; to the Committee on Immigration and Naturalization.

By Mr. MARTIN of Massachusetts:

H. R. 3238. A bill granting an increase of pension to Sarah C. Guello; to the Committee on Invalid Pensions.

By Mr. RAMSPECK:

H. R. 3239. A bill authorizing the Secretary of War to bestow the Silver Star upon Charles H. Drayton; William J. Cordes; James D. DeLoache, Jr.; Hulon G. Campbell; Eric B. Logan; Frank A. Gibson; George W. Drake; Henry T. Boman; Luther M. Kiger; Ellis F. Dikeman; George R. Brock; William J. Smith; Charles C. Ingram; and Merrill S. Brown; to the Committee on Military Affairs.

By Mr. SCHUETZ:

H. R. 3240. A bill for the relief of Anastazja Nowik; to the Committee on Immigration and Naturalization.

H. R. 3241. A bill for the relief of Daniel S. Snyder; to the Committee on Military Affairs.

H. R. 3242. A bill for the relief of Eugene J. Ruhnke; to the Committee on Naval Affairs.

H. R. 3243. A bill for the relief of John Klasek; to the Committee on Claims.

H. R. 3244. A bill for the relief of Keith William Kinney; to the Committee on Naval Affairs.

H. R. 3245. A bill for the relief of Thomas J. Kruk; to the Committee on Military Affairs.

H. R. 3246. A bill for the relief of Paul G. Lorenz; to the Committee on Military Affairs.

H. R. 3247. A bill for the relief of Mrs. O. B. Olson; to the Committee on Claims.

H. R. 3248. A bill for the relief of Walter C. Paplow; to the Committee on Naval Affairs.

H. R. 3249. A bill for the relief of Morris Skolnik; to the Committee on Claims.

H. R. 3250. A bill for the relief of Frances Wetterer; to the Committee on Invalid Pensions.

By Mr. SOMERS of New York:

H. R. 3251. A bill for the relief of Marcus Moses Nathansohn, his wife Adele Nathansohn, his son Jacob Lazar Nathansohn, and his mother Bela Nathansohn; to the Committee on Immigration and Naturalization.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

253. By Mr. CASE of South Dakota: Memorial of the South Dakota State Legislature, a copy of Senate Concurrent Resolution No. 3, pledging support to a national program for farm legislation and memorializing Congress to enact such legislation as will produce the essential elements of cost of production or parity; to the Committee on Agriculture.

254. By Mr. LUTHER A. JOHNSON: Petition of Stewart Moore, of Waxahachie, Tex., opposing House bill 97, to impose a 2-cents-per-pound duty on binder twine imported into this country; to the Committee on Ways and Means.

255. By Mr. KRAMER: Resolution of the California Mission Trails Association, Ltd., recommending and encouraging the continuance of the Civilian Conservation Corps program within its territory and throughout the Nation, because of the great amount of fine work done by the corps in the line of soil-erosion correction, protecting and conserving forest areas, and increasing recreational facilities in the California State parks; to the Committee on Appropriations.

256. By Mr. MCINTYRE: Joint memorial of the Legislature of the State of Wyoming, memorializing the Congress and President of the United States of America to enact legislation to consider means of protecting the sugar-beet industry of the State of Wyoming; to the Committee on Agriculture.

257. By Mr. MERRITT: Resolution of the Regular Democratic Club, first zone, first assembly district, county of Queens, N. Y., opposing the passage of House bill 1776, unless, in the opinion of our Representatives of New York, it contains sufficient amendments to guarantee that our country shall not be involved in the present European conflict; to the Committee on Foreign Affairs.

258. By Miss RANKIN of Montana: House Joint Memorial No. 1, enacted by the Twenty-seventh Session of the Legislative Assembly of the State of Montana, to the Congress of the United States, requesting passage of legislation for the creation and establishment of the Townsend recovery plan and for benefits to be paid to all persons over the age of 60 years; to the Committee on Ways and Means.

259. Also, Senate Joint Memorial No. 4, enacted by the Twenty-seventh Legislative Assembly of the State of Montana, in relation to the construction of a water-conservation project in the valley of the Little Missouri River for the irrigation of lands in the Little Missouri Valley in Wyoming and Montana; to the Committee on Irrigation and Reclamation.

260. Also, House Joint Memorial No. 2, enacted by the Twenty-seventh Session of the Legislative Assembly of the State of Montana, to the Congress of the United States, requesting the enactment of appropriate legislation in the name of patriotism and justice making all bonds issued by the United States Government, any State, or other Government agency, taxable; to the Committee on Ways and Means.

261. By Mr. TINKHAM: Petition of residents of Boston for the protection of Ireland's neutrality; to the Committee on Foreign Affairs.

262. By the SPEAKER: Petition of the West Allis Peace Council, West Allis, Wis., peti-

tioning consideration of their resolution with reference to foreign affairs; to the Committee on Foreign Affairs.

263. Also, petition of the Daughters of the American Revolution, Fort Callens, Colo., petitioning consideration of their resolution with reference to House bill 1776 and Senate bill 275, known as the lease-lend bill and foreign affairs; to the Committee on Foreign Affairs.

264. Also, petition of Frank A. Hourihan, of Chicago, Ill., petitioning consideration of their resolution with reference to redress of grievances; to the Committee on the Judiciary.

HOUSE OF REPRESENTATIVES

TUESDAY, FEBRUARY 11, 1941

The House met at 12 o'clock noon.

Rev. James Hart Lamb, Jr., of Christ Church (Old Swedes), Upper Merion, Pa., offered the following prayer:

Most gracious God, we humbly beseech Thee, as for the people of these United States in general, so especially for their Senate and Representatives in Congress here assembled, that Thou wouldst be pleased to direct and prosper all their consultations, to the advancement of Thy glory, the safety, honor, and welfare of Thy people; that all things may be ordered and settled by their endeavors, upon the best and surest foundations, that peace and happiness, truth and justice, religion and piety, may be established among us for all generations.

Bless our land with honorable industry, sound learning, and pure manners. Save us from violence, discord, and confusion; from pride and arrogance and from every evil way.

Defend our liberties and fashion into one united people the multitudes brought hither out of many kindreds and tongues.

Imbue with the spirit of wisdom those to whom in Thy name we entrust the authority of government that there may be justice and peace at home, and that, through obedience to Thy law, we may show forth Thy praise among the nations of the earth.

In the time of prosperity fill our hearts with thankfulness, and in the day of trouble, suffer not our trust in Thee to fail.

All which we ask in the name of Thy Son, Jesus Christ, our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H. J. Res. 89. Joint resolution making an additional appropriation for the Military Establishment for the fiscal year ending June 30, 1941.

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 187. An act to provide for the establishment, administration, and maintenance of a Coast Guard Auxiliary and a Coast Guard Reserve.

nance of a Coast Guard Auxiliary and a Coast Guard Reserve.

EXTENSION OF REMARKS

Mr. SCHULTE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including a letter I had the pleasure of receiving from the State administrator of W. P. A.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

Mr. SCHULTE. Mr. Speaker, I ask unanimous consent that the Committee on Immigration and Naturalization may be allowed to sit during the session of the House tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

EXTENSION OF REMARKS

Mr. MANSFIELD. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including therein a bulletin issued recently by the National Geographic Society on the inland waterways of Germany, as published in the New York Times last Monday.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. O'HARA. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a splendid patriotic address upon citizenship by the Reverend Alfred R. Struefert, of the First Evangelical Lutheran Church, of Glenco, Minn.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to extend my remarks in the RECORD, and to include therein an article by William A. Millen which appeared in the Star.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

[Mrs. ROGERS of Massachusetts addressed the House. Her remarks appear in the Appendix of the RECORD.]

EXTENSION OF REMARKS

Mr. ELLIOTT of California. Mr. Speaker, I ask unanimous consent that my colleague from California [Mr. SHEPARD] may place in the RECORD a statement prepared by him, and also a clipping from a newspaper.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. EDELSTEIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by including therein a speech I delivered on Sunday, February 9, 1941, at the celebration of

Polish Day held at the city hall at New York.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SANDERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein a table showing the unemployment situation with relation to the W. P. A. in my district.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

THOMAS A. EDISON

Mr. VREELAND. Mr. Speaker, I ask unanimous consent to speak for 1 minute and to revise and extend my own remarks.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. VREELAND. Mr. Speaker, today is the anniversary of the birth of Thomas A. Edison. As you probably know his son, the former Secretary of the Navy, and now the Governor of the sovereign State of New Jersey, is carrying on the traditions of his great father. Unfortunately, in these days of strife and strain we sometimes forget some of the benefits which are given to us by inventors and sons of the United States, such as Edison. Without the electric light or the phonograph or the radio, as well as many other of his great inventions, we would not enjoy the peace and prosperity we have in this country today and, in fact, we would not have this microphone, which allows us to speak in a conversational tone and still be heard all over the Congressional Chamber.

I have introduced a resolution to ask the President to declare February 11 as Edison Day, with due ceremonies in the various State and public institutions. I hope Congress will not forget this great benefactor. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. BENDER. Mr. Speaker, I have two requests. First, I ask unanimous consent to extend my own remarks in the RECORD. Next, I ask unanimous consent to extend my own remarks and include therewith a statement by Walter I. Beam, executive vice president of the Cleveland Chamber of Commerce.

The SPEAKER. Is there objection?

There was no objection.

WOMAN'S PATRIOTIC CONFERENCE ON NATIONAL DEFENSE

Mr. CASE of South Dakota. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. CASE of South Dakota. Mr. Speaker, a great many Members of Congress attended the Women's Patriotic Conference on National Defense, held in Washington, a few days ago. I think they and others will be interested in hearing the resolution finally adopted by that